

NOTICE

Dear Sir/Madam,

You are invited to complete and return this questionnaire booklet to us if you wish to comment on our Consultation Paper on Proposed Amendments to the Listing Rules relating to Corporate Governance Issues. You are not obliged, however, to supply your personal data such as your name and address if you do not wish to do so.

If you choose to voluntarily supply any personal data to us, you should note the Personal Data Privacy Policy Statement as follows:

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Personal Data Privacy Officer Hong Kong Exchanges and Clearing Limited 11/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong cvw@hkex.com.hk

Hong Kong Exchanges and Clearing Limited

CONSULTATION PAPER
ON
PROPOSED AMENDMENTS TO THE LISTING RULES
RELATING TO
CORPORATE GOVERNANCE ISSUES
(QUESTIONNAIRE)

January 2002



Hong Kong Exchanges and Clearing Limited

Please complete this questionnaire and return to Hong Kong Exchanges and Clearing Limited by no later than the close of business on 22 April, 2002.

Your contact information

Name : _____

Company : _____

Telephone no. : _____

E-mail address : _____

Please tick one of the following:

- Listed company – Main Board
- Listed company – GEM
- Professional association
- Market practitioner (accountant, legal adviser, financial adviser and sponsor, etc)
- Institutional investor
- Retail investor
- Other (please specify : _____)

GENERAL

This questionnaire contains specific questions relating to our proposals that are highlighted in our Consultation Paper issued on 21 January, 2002. We have designed this questionnaire to facilitate your response to the matters of consultation set out in the Consultation Paper. This would help the Exchange in analysing the result with more accuracy and ensure a better understanding of public opinions for the formulation of listing policy for the Main Board and GEM. You are requested to elaborate your views and comments in the space provided after each question. We will analyse responses and comments on our proposals based on the completed questionnaires. **You are recommended to read the Consultation Paper in detail when completing this questionnaire.**

The proposals set out in the Consultation Paper and this questionnaire will be made to both the Main Board Rules and GEM Rules, unless otherwise stated.

We acknowledge that the use of this questionnaire alone may not be adequate for you to fully communicate your comments on complex issues. You are therefore welcome to supplement your comments and views by attaching additional sheets to this questionnaire booklet.

The consultation period will close on 22 April, 2002.

This questionnaire booklet is also available for completion and submission at the website of Hong Kong Exchanges and Clearing Limited: www.hkex.com.hk.

Comments and completed questionnaire booklet should be addressed to Head – Listing, Regulation & Risk Management and sent by post to:

Hong Kong Exchanges & Clearing Limited
11/F, One International Finance Centre
1 Harbour View Street
Centre
Hong Kong

Alternatively, you should complete and submit the electronic questionnaire available at the website of Hong Kong Exchanges and Clearing Limited: www.hkex.com.hk.

**PART B OF THE CONSULTATION PAPER
PROTECTION OF SHAREHOLDERS' RIGHTS**

VOTING BY SHAREHOLDERS

Voting by poll

Paragraph 1.4 of Part B of the Consultation Paper

We will amend the Rules to require voting by way of poll for connected transactions and all resolutions requiring independent shareholders' approval (i.e. where controlling shareholders are required to abstain from voting).

Q1. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - Voting by way of poll at a general meeting should be required for all resolutions.*
 - Voting by way of poll should be required only if requested by shareholders pursuant to issuers' constitutional documents.*
 - Other views:*

Comments:

Paragraph 1.5 of Part B of the Consultation Paper

We will amend the Rules to require issuers to publish the results of the poll on the business day following the meeting.

Q2. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 1.6 of Part B of the Consultation Paper

We will amend the Rules to require issuers to disclose the procedure of demanding a poll by shareholders pursuant to their constitutional documents in the circulars to shareholders, when voting by poll is not a mandatory requirement for approving the transactions concerned under the Rules and in the issuers' constitutional documents.

Q3. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Voting of “interested shareholders” in relation to very substantial acquisitions, very substantial disposals and major transactions

Paragraph 2.4 of Part B of the Consultation Paper

We will amend the Main Board Rules to follow the approach of the GEM Rules. Any shareholder who has an interest shall not vote at a general meeting approving a very substantial acquisition, a very substantial disposal or a major transaction.

Q4. Do you agree with our proposal?

- Agree*

- Disagree. The current Main Board Rules should be retained, i.e. a shareholder who has a material interest, other than as a shareholder, in the subject transaction should not vote at the general meeting. The GEM Rules should be amended to follow the Main Board Rules. Please state reason(s) for your view:*

Comments:

Q5. *If the term “material interest” is retained, how would you define such term for the purpose of determining whether an interested shareholder should abstain from voting at the general meeting approving the subject transaction?*

Voting of controlling shareholders

Paragraph 3.9 of Part B of the Consultation Paper

For the purpose of the Rules, we will maintain our general principle that all shareholders have the same right to vote at general meetings of an issuer, except for the approval of certain matters that have significant impact on issuers and shareholders and there were significant previous cases of abuse of minority interests (as set out in paragraph 3.4 of Part B of the Consultation Paper).

Q6. *Do you agree with our principle?*

- Agree*
- Agree, but controlling shareholders should also abstain from voting for the following resolutions. Please specify those resolutions and state reason(s) for your view. Please also refer to questions 15, 19, 27, 34, 35, 38, 41 and 44.*

- Disagree (please tick one of the following)*
 - Controlling shareholders should be allowed to vote in all matters in which their interests are the same as other shareholders.*

Other views:

Comments:

Q7. Do you agree that in those exceptional circumstances which require controlling shareholders to abstain from voting at the general meeting, they should be allowed to vote against those resolutions?

Agree

Disagree. In those exceptional circumstances, controlling shareholders should not be allowed to vote in favour or against the resolutions.

Comments:

Paragraph 3.10 of Part B of the Consultation Paper

We will amend the Main Board Rules so that in those exceptional circumstances which require independent shareholders' approval under the Main Board Rules, where there are no controlling shareholders, chief executive or directors (except independent non-executive directors) and their respective associates, who together have a controlling interest (being 30% or such threshold set out in the Takeovers Code from time to time) in the issuer, shall abstain from voting at the general meetings approving the relevant resolutions. The GEM Rules will be amended to the same effect that where there are no controlling shareholders, chief executives or directors (except independent non-executive directors) and their respective associates will be required to abstain from voting only if they together have a controlling interest in the issuer.

Q8. *Do you agree with our proposal?*

- Agree*
- Disagree (please tick one of the following)*
 - In those exceptional circumstances which require independent shareholders' approval under the Rules, chief executive or directors (except independent non-executive directors) and their respective associates should abstain from voting at the general meetings approving the relevant resolutions, regardless of the level of their interest in an issuer. Please state reason(s) for your view:*

- In those exceptional circumstances which require independent shareholders' approval under the Rules, chief executive or directors (except independent non-executive directors) and their respective associates should be allowed to vote at the general meetings approving the relevant resolutions. Please state reason(s) for your view:*

- Other views:*

Comments:

Paragraph 3.11 of Part B of the Consultation Paper

We will amend the Rules so that in those exceptional circumstances which require independent shareholders' approval under the Rules, we reserve the right to require the following parties to abstain from voting at the general meetings approving the relevant resolutions:

- (a) controlling shareholders at the time the decision for the transaction was made or when the transaction was approved by the board, who cease to be the controlling shareholders but are still shareholders at the time of the general meeting; or

- (b) where there are no controlling shareholders, directors (except independent non-executive directors) or chief executive, who together with their associates had a controlling interest in the issuer, at the time the decision for the transaction was made or when the transaction was approved by the board.

Q9. *Do you agree with our proposal?*

Agree

Disagree (please tick one of the following)

In those exceptional circumstances which require independent shareholders' approval under the Rules, the parties mentioned in paragraphs 3.11(a) and (b) of Part B of the Consultation Paper should be allowed to vote at the general meetings approving the relevant resolutions.

Other views:

Comments:

Waiver of requirement to hold general meetings

Paragraph 4.7 of Part B of the Consultation Paper

We will amend the Rules to codify our practice that a written shareholders' approval in lieu of holding a physical shareholders' meeting for the approval of major transactions or connected transactions will be allowed only if the following conditions are met:

- (a) the transactions do not involve issues of securities by the issuer or its subsidiaries;
- (b) no shareholder is required to abstain from voting if the issuer convenes a general meeting for the approval of the subject transactions; and
- (c) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% in the nominal value of the securities giving the right to attend and vote at that general meeting to approve the subject transactions.

Q10. Do you agree with our proposal that a written shareholders' approval in lieu of holding a physical shareholders' meeting should be allowed only if all the three conditions set out in paragraph 4.7 of Part B of the Consultation Paper are met?

Agree

Agree, but waivers for holding a general meeting should also be granted in the following circumstances. Please specify those circumstances and state reason(s) for your view:

Disagree. Please state reason(s) for your view:

Comments:

Q11. Do you agree with our proposal that written shareholders' approval in lieu of holding a physical general meeting should be accepted for the approval of major transactions or connected transactions?

- Agree*
- Disagree (please tick one or more of the following)*
 - Written shareholders' approval in lieu of holding a physical general meeting should not be accepted for the approval of connected transactions.*
 - Written shareholders' approval in lieu of holding a physical general meeting should not be accepted for the approval of major transactions.*
 - Under no circumstances, should a written shareholders' approval in lieu of holding a physical general meeting be accepted, disregarding the nature of the subject resolution.*

Other views:

Please state reason(s) for your view:

Comments:

Paragraph 4.8 of Part B of the Consultation Paper

We will amend the Rules to require issuers to disclose details of the written approval given by the respective shareholders, including a description of the closely allied group of shareholders in the announcements on the transactions.

Q12. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

DILUTION OF SHAREHOLDERS' INTERESTS

Placing of shares using the general mandate

Paragraph 5.8 of Part B of the Consultation Paper

We will retain the Rules which allow issuers to issue securities up to a maximum of 20% of the existing issued share capital under a general mandate.

Q13. Do you agree with our proposal?

- Agree*
- Disagree. Issuers should be allowed to issue securities under a general mandate up to a limit of (please tick one of the following):*
 - No limit at all*
 - 5 % of issued share capital*
 - 10 % of issued share capital*
 - 15 % of issued share capital*
 - Other. Please specify: _____.*

Please state reason(s) for your view:

Comments:

Q14. *The Rules do not impose any restriction on the number of refreshments of general mandates during a financial year. Based on your answer to question 13 regarding the limit on the number of securities that can be issued under a general mandate, how many times do you think an issuer should be allowed to refresh its general mandate for the issue of securities in any 1 financial year (please tick one of the following)?*

- None*
- 1 time*
- 2 times*
- 3 times*
- Other. Please specify: _____.*
- Unlimited*

Comments:

Q15. *The Rules require shareholders' approval for refreshment(s) of general mandates by the issuer. Do you agree that no independent shareholders' approval should be required for the refreshment(s) of general mandates?*

- Agree*
- Disagree (Please tick one of the following)*
 - Independent shareholders' approval should be required for the issuer's refreshment(s) of general mandates.*

Other views:

Comments:

Q16. Do you agree to set a cumulative limit for the issue of securities in any rolling 3 year period?

Agree (please tick one of the following)

5% of issued share capital as at the date of commencement of any rolling 3 year period

7.5% of issued share capital as at the date of commencement of any rolling 3 year period

10% of issued share capital as at the date of commencement of any rolling 3 year period

Other. Please specify: _____.

Please state reason(s) for your view:

- Disagree. Issue of securities should not be subject to any such cumulative limit.*

Comments:

Paragraph 5.9 of Part B of the Consultation Paper

We will amend the Rules to impose a pricing restriction on the issue of securities under a general mandate. Unless an issuer can satisfy the Exchange that it is in severe financial difficulties or that there are other exceptional circumstances, it may not issue shares under a general mandate if the placing price or the subscription price under the top-up arrangements represents a discount of 20% or more to the benchmarked price, being the higher of:

- (a) the closing price on the date of signing of the placing agreement; or
- (b) the average closing price in the 5 trading days prior to the earlier of:
 - (i) the date of announcement of placing;
 - (ii) the date of placing agreement; or
 - (iii) the date on which the placing price is fixed.

Q17. Do you agree with the proposed basis of the benchmarked price set out in paragraph 5.9 of Part B of the Consultation Paper?

- Agree*
- Disagree. Please specify the alternative benchmarked price you think is appropriate and state reason(s) for your view:*

Comments:

Q18. Do you agree with the proposed trigger discount level (i.e. 20% to the benchmarked price) at which an issuer will not be allowed to issue securities under a general mandate unless it can satisfy the Exchange that it is in severe financial difficulties or that there are other exceptional circumstances?

- Agree*
- Disagree. The trigger discount level should be set at the following level (please tick one of the following):*
 - a discount of 3% or more to the benchmarked price*
 - a discount of 5% or more to the benchmarked price*
 - a discount of 10% or more to the benchmarked price*
 - Other. Please specify: _____.*

Please state reason(s) for your view:

Comments:

Q19. Do you agree with our proposal to require issuers to satisfy the Exchange that they are in severe financial difficulties or that there are other exceptional circumstances if they issue securities under a general mandate at or above the trigger discount level?

- Agree*
- Disagree (please tick one of the following)*
 - Shareholders' approval should be required and no shareholder (except for shareholders who have different interests from other shareholders in the placing or top-up arrangement) should be required to abstain from voting at the general meeting approving the relevant resolution, if an issuer issues securities at or above the trigger discount level. Please state reason(s) for your view:*

- Specific independent shareholders' approval should be required, if an issuer issues securities at or above the trigger discount level. Please state reason(s) for your view:*

- Issuers should not be required to satisfy the Exchange that they are in severe financial difficulties or that there are other exceptional circumstances if they issue securities under a general mandate at or above the trigger discount level. No shareholders' approval requirement should be imposed on the issue of securities under a general mandate, regardless of the percentage discount of the placing price or the subscription price under the top-up arrangement to the market price. Please state reason(s) for your view:*

- Other views:*

Comments:

Paragraph 5.10 of Part B of the Consultation Paper

We will amend the Rules to require an issuer to issue an announcement on any placing of shares, once the shares are placed, if the placing price is at a discount of 20% or more to the benchmarked price set out in paragraph 5.9 of Part B of the Consultation Paper. The announcement shall disclose, among other things, a generic description of the 10 largest placees who in aggregate subscribe to 50% or more of the total number of shares placed. The information shall also contain the number of shares subscribed by each of the placees.

Q20. Do you agree with our proposal?

- Agree*
- Agree, but the following information should also be disclosed in the announcement. Please specify those information and state reason(s) for your view:*

- Disagree. Additional disclosure requirement should be imposed (please tick one of the following):*

- irrespective of the discount*
- if the placing or subscription price is at a discount of (please tick one of the following):*
- 3% or more to the benchmarked price*

- 5% or more to the benchmarked price
- 10% or more to the benchmarked price
- Other. Please specify: _____.

Comments:

Placing and top-up subscription

Paragraph 6.3 of Part B of the Consultation Paper

We will amend the Rules so that the exemption from shareholders’ approval will only apply if the number of new securities subscribed by a connected person does not exceed the number of securities placed by him or her to a third party in a placing and top-up subscription arrangement.

Q21. Do you agree with our proposal?

- Agree
- Disagree (please tick one of the following)
 - The Rules on the exemption from shareholders’ approval for a placing and top-up subscription arrangement should be retained. A connected person should be allowed to subscribe for new securities up to his percentage interest in such securities immediately before the placing.*

Other views:

Comments:

Paragraph 6.4 of Part B of the Consultation Paper

We will amend the Main Board Rules to follow the GEM Rules and specify that the exemption from shareholders' approval will only apply when securities are issued within 14 days after the connected person has executed an agreement to reduce his holding.

Q22. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Rights issues and open offers

Paragraph 7.7 of Part B of the Consultation Paper

We will retain the Rules that require independent shareholders' approval for any rights issues or open offers that would increase the issued share capital or market capitalisation of the issuer by more than 50%.

Q23. Do you agree with our proposal?

Agree (please answer questions 25 and 26)

Disagree (please tick one of the following)

No shareholders' approval should be required for rights issues or open offers that would increase the issued share capital or market capitalisation of the issuer by more than 50%. Please state reason(s) for your view:

All shareholders including controlling shareholders should be allowed to vote at the general meetings approving rights issues or open offers that would increase the issued share capital or market capitalisation of the issuer by more than 50%. Please state reason(s) for your view:

Comments:

Q24. If you consider that the requirement of independent shareholders' approval for rights issues or open offers that would increase the issued share capital or market capitalisation of the issuer by more than 50% should be removed, do you agree that rights issues or open offers which are underwritten or sub-underwritten by a connected person of the issuer should be subject to shareholders' approval?

- Agree. Rights issues or open offers which are underwritten or sub-underwritten by a connected person of the issuer should be subject to shareholders' approval. The connected person(s) acting as an underwriter or sub-underwriter or having a different interest from other shareholders in the transactions should be required to abstain from voting at the general meeting.*

- Disagree. The Rules should be retained so that rights issues or open offers which are underwritten or sub-underwritten by a connected person of the issuer should still be exempt from shareholders' approval requirement. Please specify your view on how to safeguard the interest of minority shareholders and state reason(s) for your view:*

Comments:

Paragraph 7.8 of Part B of the Consultation Paper

We will amend the Rules to clarify how the 50% threshold should be determined. The latest rights issue or open offer shall be aggregated with:

- (a) any other rights issues or open offers made in the previous 12 months; and

- (b) any bonus securities, warrants or other convertible securities (assuming full conversion) granted to shareholders as part of the rights issues or open offers in the previous 12 months.

Q25. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 7.9 of Part B of the Consultation Paper

We will also amend the Rules to specify that the 12 month period shall be the 12 months commencing on the first day of dealing of fully paid shares issued under the earliest rights issue or open offer (as set out in the relevant circular) up to the date of announcement of the latest proposed rights issue or open offer.

Q26. Do you agree with our proposal?

- Agree*
- Disagree. Please indicate your view on how the 12 month period should be computed and state reason(s) for your view:*

Comments:

Paragraph 7.10 of Part B of the Consultation Paper

We will amend the Rules to clarify that an open offer which is wholly or partly underwritten or sub-underwritten by a director, chief executive or substantial shareholder of the issuer (or any associate of any of them) shall not be subject to shareholders' approval, if there are arrangements in place for the disposal of securities not subscribed by the allottees by means of excess application forms, in which case such securities must be available for subscription by all shareholders and allocated on a fair basis. Where shareholders' approval is required for the open offer, any shareholders who have a different interest in the open offer shall abstain from voting at the general meeting.

Q27. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - Controlling shareholders should be required to abstain from voting at the general meeting approving such resolution as set out in our proposal.*
 - Other views:*

Comments:

Exclusion of overseas shareholders from share offers

Paragraph 8.2 of Part B of the Consultation Paper

We will amend the Rules:

- (a) to allow issuers to exclude overseas shareholders in an offer of securities provided the directors of the issuers consider it necessary or expedient to do so on the account either of the legal problems under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange;
- (b) to require issuers to include explanation(s) for exclusion of overseas shareholders from the share offers in the relevant offer document; and
- (c) to require issuers to ensure that the offer document shall, subject to compliance with the local laws and regulations, also be made available to the overseas shareholders.

Q28. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

OTHER MATTERS AFFECTING SHAREHOLDERS

Material changes in nature of business

Paragraph 9.6 of Part B of the Consultation Paper

The Main Board Rules require independent shareholders' approval for an issuer entering into any transaction or arrangement within the period of 12 months from the commencement of dealings in the securities, which would result in a material change to the general character or nature of the business of the issuer or its group as described in the listing document issued when it first applied for listing. We will amend the Main Board Rules to also cover a series of transactions or arrangements entered into during the said 12 month period. We will amend the GEM Rules to also cover a series of transactions or arrangements entered into from the date of listing on GEM to the end of the first financial year and the 2 financial years thereafter.

Q29. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Share repurchases

Restrictions on pricing and bidding

Paragraph 10.4 of Part B of the Consultation Paper

We will amend the Rules to prohibit repurchases on the Exchange at a price 5% higher than the average closing market price over the preceding 5 trading days on which shares were traded.

Q30. Do you agree with the proposed cap of 5% of the average closing market price over the preceding 5 trading days on which shares were traded?

- Agree
- Disagree (please tick one of the following)
 - No pricing restriction should be imposed on share repurchases.
 - Other. Please specify: _____.

Comments:

Q31. Do you agree with the proposed basis of the benchmarked price (i.e. the average closing market price over the preceding 5 trading days on which shares were traded)?

- Agree
- Disagree. The basis of the benchmarked price should be the average closing market price over (please tick one of the following):
 - the preceding trading day
 - the preceding 10 trading days
 - the preceding 20 trading days
 - the preceding 30 trading days

- Alternative benchmark for pricing restriction. Please specify the alternative benchmark you think is appropriate and state reason(s) for your view:*

Comments:

Dealing restrictions

Paragraph 11.2 of Part B of the Consultation Paper

We will amend the Rules to require the dealing restriction period for share repurchases to follow the current “black out” period for securities transactions by directors for the half-year and annual results, and the proposed “black out” period for quarterly reporting set out in paragraph 19.7 of Part C of the Consultation Paper.

Q32. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the restriction period for share repurchases you think is appropriate and state reason(s) for your view:*

Comments:

25 % monthly share repurchase restriction

Paragraph 12.3 of Part B of the Consultation Paper

We will abolish the 25% monthly share repurchase restriction under the Main Board Rules.

Q33. Do you agree with our proposal?

- Agree*
- Disagree. The 25% monthly share repurchase restriction should be retained in the Main Board Rules and introduced in the GEM Rules.*

Comments:

Withdrawal of primary listing on the Exchange

Paragraph 13.5 of Part B of the Consultation Paper

We will amend the Rules so that any withdrawal of primary listing on the Exchange shall be subject to:

- (a) the approval of at least 75% of the votes attaching to the shares held by independent shareholders cast either in person or by proxy in a general meeting of independent shareholders; and

- (b) the number of votes cast against the resolution must not be more than 10% of the votes attaching to all the shares held by independent shareholders.

Q34. *Do you agree with our proposal?*

- Agree*
- Disagree. Please specify the approval threshold you think is appropriate and state reason(s) for your view:*

Comments:

Withdrawal of secondary listing on the Exchange

Paragraph 14.2 of Part B of the Consultation Paper

We will amend the Rules so that issuers with secondary listing status on the Exchange may withdraw their listing status if:

- (a) they have complied with all relevant laws, regulations and listing rules of their home jurisdiction; and
- (b) they have provided shareholders with at least 3 months' prior notice of the proposed delisting, by way of an announcement.

Q35. Do you agree with our proposal?

Agree

Disagree (please tick one or more of the following)

Voluntary withdrawal of secondary listing on the Exchange should be subject to independent shareholders' approval. Please state reason(s) for your view:

The period of notice should be: _____ month(s) (please specify). Please state reason(s) for your view:

Comments:

NOTIFIABLE TRANSACTIONS OTHER THAN CONNECTED TRANSACTIONS

Very substantial acquisitions

Paragraph 15.6 of Part B of the Consultation Paper

We will amend the Rules so that issuers shall comply with the provisions for “very substantial acquisitions”, irrespective of whether the assets being acquired are listed or not.

Q36. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 15.7 of Part B of the Consultation Paper

We will amend the Rules so that some relaxation in the form of a waiver for “very substantial acquisitions” from shareholders’ approval in a hostile or contested takeovers situation may be granted.

Q37. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 15.8 of Part B of the Consultation Paper

We will amend the GEM Rules so that no shareholders will be required to abstain from the voting at the shareholders' meeting approving a very substantial acquisition, unless they have a different interest from other shareholders in the transaction.

Q38. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - The existing GEM Rules should be retained so that independent shareholders' approval will be required for all very substantial acquisitions. The Main Board Rules will be amended to follow the GEM Rules in this regard. Please state reason(s) for your view:*

- Other views:*

Comments:

Paragraph 15.9 of Part B of the Consultation Paper

We will also amend the Main Board Rules so that no written certificate of shareholders' approval shall be accepted for very substantial acquisitions.

Q39. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - Written certificate of shareholders' approval should be accepted for very substantial acquisitions. Please state reason(s) for your view:*

- Other views:*

Comments:

Introduction of “very substantial disposals”

Paragraph 16.4 of Part B of the Consultation Paper

We will introduce in the Rules a new type of transaction, namely “very substantial disposals”. This type of transaction will cover disposal of assets, business or company, where any of the percentage ratios under the various tests for classification of the transaction is 75% or more.

Q40. Do you agree with our proposal?

- Agree*
- Disagree. There is no need to specifically address very substantial disposals.*

Comments:

Paragraph 16.5 of Part B of the Consultation Paper

We will amend the Rules to require shareholders' approval for all very substantial disposals. No shareholders will be required to abstain from voting at the shareholders' meeting approving a very substantial disposal, unless they have a different interest from other shareholders in the transaction.

Q41. Do you agree with our proposal?

Agree

Disagree (please tick one of the following)

Independent shareholders' approval should be required for all very substantial disposals. Please state reason(s) for your view:

Other views:

Comments:

Paragraph 16.6 of Part B of the Consultation Paper

No written certificate of shareholders' approval shall be accepted for very substantial disposals.

Q42. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - Written certificate of shareholders' approval should be accepted for very substantial disposals. Please state reason(s) for your view:*

- Other views:*

Comments:

Reverse takeovers

Paragraph 17.6 of Part B of the Consultation Paper

We will amend the GEM Rules to expand the definition of “reverse takeover” to include any acquisition of assets that will lead to a fundamental change of business of issuers as a reverse takeover.

Q43. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 17.7 of Part B of the Consultation Paper

We will amend the GEM Rules so that no shareholders will be required to abstain from voting at the shareholders' meeting to approve a reverse takeover, unless they have a different interest from other shareholders in the transaction.

Q44. Do you agree with our proposal?

Agree

Disagree (please tick one of the following)

The existing GEM Rules should be retained so that independent shareholders' approval will be required for reverse takeovers. The Main Board Rules will be amended to follow the GEM Rules in this regard. Please state reason(s) for your view:

Other views:

Comments:

Paragraph 17.8 of Part B of the Consultation Paper

No written certificate of shareholders' approval shall be accepted for reverse takeovers.

Q45. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - Written certificate of shareholders' approval shall be allowed for reverse takeovers. Please state reason(s) for your view:*

- Other views:*

Comments:

Paragraph 17.9 of Part B of the Consultation Paper

We will amend the Main Board Rules to introduce a separate category of “reverse takeover” transaction and adopt the same requirements for “reverse takeover” under the GEM Rules and our proposals set out in paragraphs 17.6 to 17.8 of Part B of the Consultation Paper.

Q46. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - There is no need to have a separate category of transactions called “reverse takeover”. The current Main Board Rules on when to treat a very substantial acquisition as a new listing should be retained.*
 - Other views:*

Comments:

Introduction of “total assets test” and “turnover test”

Paragraph 18.4 of Part B of the Consultation Paper

We will amend the Rules to adopt a new basis for the “assets test”. The new “assets test” will be the total assets being the subject of the transaction divided by the total assets of the issuer. The total assets of the issuer mean the total fixed assets, including intangible assets, plus the total current and non-current assets of the issuer. We will also make similar changes to certain provisions under the Rules which have made references to “net tangible assets” or “net assets”, where appropriate. We will use “total assets” as the new basis for the relevant tests.

Q47. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - The existing “assets test” using net assets as the basis of calculation should be retained.*
 - Other views:*

Comments:

Paragraph 18.5 of Part B of the Consultation Paper

We will amend the Rules so that if issuers can satisfy us that the anomalous results of profits test are due to exceptional circumstances, we may allow the adoption of a “turnover test” to substitute for the “profits test”. The “turnover test” will only apply if the “profits test” is not applicable. The “turnover test” is the turnover attributable to the assets being the subject of the transaction divided by the turnover of the issuer.

Q48. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - “Turnover test” should be an additional standalone test, rather than a substitute test for the “profits test”. Please state reason(s) for your view:*

 - “Turnover test” should not be used as a test for classification of notifiable transactions. Please state reason(s) for your view:*

Comments:

Paragraph 18.6 of Part B of the Consultation Paper

We will amend the Rules to use total assets as the denominator for the “consideration test”. The total assets of the issuer mean the total fixed assets, including intangible assets, plus the total current and non-current assets of the issuer.

Q49. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - The existing “consideration test” using net assets as the basis of calculation should be retained.*

Other views:

Comments:

New thresholds for notifiable transactions

Paragraph 19.6 of Part B of the Consultation Paper

We will adjust the threshold levels of relevant tests under the Rules, which have made references to “net tangible assets” or “net assets”, where appropriate. For categorisation of notifiable transactions, the threshold levels of all size tests will be adjusted as follows:

- (a) Share transaction – a transaction where all percentage ratios is less than 5% but the transaction involves issue of securities for which listing will be sought as consideration;

Q50. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the percentage level you think is appropriate and state reason(s) for your view:*

Comments:

- (b) Discloseable transaction – a transaction where any of the percentage ratios is 5% or more but each is less than 25%;

Q51. Do you agree with our proposal?

- Agree
- Disagree. Please specify the percentage level you think is appropriate and state reason(s) for your view:

Comments:

- (c) Major transaction – a transaction where any of the percentage ratios is 25% or more, but each is less than 100% for an acquisition transaction or less than 75% for a disposal transaction;

Q52. Do you agree with our proposal?

- Agree
- Disagree. Please specify the percentage level you think is appropriate and state reason(s) for your view:

Comments:

- (d) Very substantial acquisition – an acquisition where any of the percentage ratios is 100% or more; and

Q53. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the percentage level you think is appropriate and state reason(s) for your view:*

Comments:

- (e) Very substantial disposal – a disposal where any of the percentage ratios is 75% or more.

Q54. Do you agree with our proposal?

- Agree*

- Disagree. Please specify the percentage level you think is appropriate and state reason(s) for your view:*

Comments:

Valuation of properties

Paragraph 20.4 of Part B of the Consultation Paper

We will amend the Rules so that we reserve the right to require valuation reports to be prepared in appropriate circumstances, including circumstances where there are already existing valuation reports less than 3 months old.

Q55. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 20.5 of Part B of the Consultation Paper

We will amend the Rules so that for the calculation of “size tests” under the notifiable transaction rules, the higher of the consideration (which in the case of a property company, will include the value of all outstanding mortgages), the book value of the assets, or the valuation of the assets will form the numerator for the “assets test”.

Q56. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 20.6 of Part B of the Consultation Paper

We propose to change the threshold level for the requirement of a valuation report to 25%, in light of the adjusted thresholds for categorisation of notifiable transactions under all size tests.

Q57. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the threshold level you think is appropriate and state reason(s) for your view:*

Comments:

Asset valuation

Paragraph 21.2 of Part B of the Consultation Paper

We will amend the Rules so that any valuation of assets or businesses acquired by the issuers based on discounted cash flows or projections of profits, earnings or cash flows will be regarded as a profit forecast. Such valuations will be subject to the same requirements of profit forecasts under the Rules. This includes disclosure of details of the principal assumptions of the valuations and obtaining reports on the forecasts from the auditors or consultant accountants. Any financial adviser mentioned in the circulars to shareholders shall also report on the forecasts.

Q58. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - Valuation of assets or businesses acquired by the issuers based on discounted cash flows or projections of profits, earnings or cash flow should not be regarded as a profit forecast. However, the Exchange should be allowed to reserve the right to treat such asset or business valuation as a profit forecast.*
 - Valuation of assets or businesses acquired by the issuers based on discounted cash flows or projections of profits, earnings or cash flow should not be regarded as a profit forecast in any event.*

Other views:

Comments:

Options granted by issuers

Paragraph 22.4 of Part B of the Consultation Paper

We will amend the GEM Rules to reduce the premium threshold from 15% to 10% for computing the size tests for notifiable transactions and the de minimis thresholds for connected transactions, which involve options that are exercisable at the discretion of issuers.

Q59. Do you agree with our proposal?

Agree

Disagree. Please specify the premium threshold you think is appropriate and state reason(s) for your view:

Comments:

Paragraph 22.5 of Part B of the Consultation Paper

We will amend the Main Board Rules to follow the GEM Rules in relation to the grant, acquisition, transfer or exercise of an option by an issuer as set out in paragraph 22.1 of Part B of the Consultation Paper as amended by the proposal in paragraph 22.4 of Part B of the Consultation Paper.

Q60. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Dilution of interest in subsidiaries resulting in deemed disposals

Paragraph 23.2 of Part B of the Consultation Paper

We will amend the Rules so that the existing requirements in relation to deemed disposals of interest in subsidiaries shall apply to allotments of share capital for any consideration and not limited to “cash consideration” only.

Q61. Do you agree with our proposal?

- Agree
- Disagree

Comments:

CONNECTED TRANSACTIONS

Definition of “connected person”

Paragraph 24.7 of Part B of the Consultation Paper

We will maintain the existing regulatory approach to the definition of “connected person” in the Main Board Rules. This includes persons who are connected by virtue of their relationship at the subsidiary level. We will amend the GEM Rules to bring that into line with the Main Board Rules.

Q62. Do you agree with our proposal?

- Agree
- Disagree (please tick one of the following)
 - The definition of “connected person” under the GEM Rules should be retained. The Main Board Rules should be amended to follow the GEM Rules in this regard.
 - Other views:

Comments:

Paragraph 24.8 of Part B of the Consultation Paper

If the proposal in relation to regulating transactions between connected persons and certain associated companies over which the listed group together with the connected person(s) of an issuer have control is adopted, we will amend the Rules to extend the definition of “connected person” to cover a director, chief executive or substantial shareholder of such an associated company or any of their respective associates.

Q63. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

Definition of “associate”

Paragraph 25.6 of Part B of the Consultation Paper

We will retain the existing definition of “associate” in the Rules.

Q64. Do you agree with our proposal?

- Agree
- Disagree. The definition of “associate” should be extended to cover the following (please tick one or more of the following):
 - in relation to any director, chief executive or substantial shareholder being an individual, settlors and beneficiaries of any trust of which such individual or any of his family interests is a beneficiary or a discretionary object, and any companies controlled by any such trust;
 - in relation to a substantial shareholder being a company, the ultimate beneficial owners who control 30% or more of the voting power at general meetings or control the composition of a majority of the board of directors of such company;
 - in relation to a substantial shareholder being a company, the ultimate beneficial owners who control 30% or more of the voting power at general meetings or control the composition of a majority of the board of directors of such company. Where the ultimate shareholders are corporates, this will also include the ultimate individual beneficial owners who control more than 50% of the voting power at general meetings or control the composition of a majority of the board of directors of such corporates;
 - persons with controlling interests in companies that are controlled by a director, chief executive or substantial shareholder and other companies controlled by these persons;
 - any company whose directors are accustomed to act in accordance with the directions and instructions of a substantial shareholder (being a company) of the issuer; and

- any other individuals or companies you think are appropriate to be included in the definition of “associate”. Please specify those individuals or companies and state reason(s) for your view:*

Comments:

Transactions between connected persons and associated companies

Paragraph 26.9 of Part B of the Consultation Paper

We will amend the Rules so that transactions between connected persons of an issuer and an associated company of the issuer will be regulated as connected transactions if:

- (a) the issuer and/or its subsidiaries hold not less than 20% of the voting power in such associated company; and
- (b) the issuer and/or its subsidiaries together with connected person(s) of the issuer (excluding connected person(s) at the subsidiary level) have control over such associated company. Control here shall have the same meaning as stated in paragraph 30.5 of Part B of the Consultation Paper.

Q65. Do you agree with our proposal?

Agree

Disagree (please tick one of the following)

Issuers will not be able to comply with the proposal even if the issuer and/or its subsidiaries together with connected person(s) of the issuer (excluding connected person(s) at the subsidiary level) have control over such an associated company.

Other views:

Please state reason(s) for your view:

Comments:

Transactions with non wholly owned subsidiaries

Paragraph 27.4 of Part B of the Consultation Paper

We will amend the Rules so that non wholly owned subsidiaries shall not be treated as “connected persons” under the Rules, if no connected person(s) of the issuer (excluding connected person(s) at the subsidiary level) are together a substantial shareholder (i.e. holding 10% or more interest) in such non wholly owned subsidiaries. Transactions between issuers or their subsidiaries and such non wholly owned subsidiaries shall not be regulated as connected transactions.

Q66. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

De minimis thresholds for connected transactions

Paragraph 28.2 of Part B of the Consultation Paper

We will amend the Rules so that the basis for the de minimis thresholds for connected transactions will refer to the total assets instead of the net tangible assets of issuers. Consequently, we will also adjust the relevant percentage level of the de minimis thresholds. The revised Rules will provide the following de minimis thresholds:

- (a) a connected transaction will normally be exempt from all the relevant reporting, announcement and shareholders’ approval requirements if it is on normal commercial terms where the total consideration or value is less than the higher of:
 - (i) HK\$1,000,000; or
 - (ii) 0.01% of the total assets of the issuer; and

Q67. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the threshold level you think is appropriate and state reason(s) for your view:*

Comments:

(b) a connected transaction will normally be subject to the reporting and announcement requirements if it is on normal commercial terms where the total consideration or value is less than the higher of:

(i) HK\$10,000,000; or

(ii) 1% of the total assets of the issuer.

Q68. Do you agree with our proposal?

Agree

Disagree. Please specify the threshold level you think is appropriate and state reason(s) for your view:

Comments:

Continuing connected transactions

Paragraph 29.4 of Part B of the Consultation Paper

We will amend to the Main Board Rules to introduce a new category of “continuing connected transactions”.

Q69. Do you agree with our proposal?

Agree

Disagree

Comments:

Paragraph 29.5 of Part B of the Consultation Paper

We will amend the Rules to the effect that:

- (a) a continuing connected transaction on normal commercial terms will normally be exempt from reporting, announcement and shareholders' approval requirements when the annual total consideration or value of the transaction is less than the higher of:
 - (i) HK\$1,000,000; or
 - (ii) 0.01% of the total assets of the issuer;

Q70. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the threshold level you think is appropriate and state reason(s) for your view:*

Comments:

(b) a continuing connected transaction on normal commercial terms will normally be exempt from shareholders' approval requirements when the annual total consideration or value of the transaction is less than the higher of:

- (i) HK\$10,000,000; or
- (ii) 1 % of the total assets of the issuer;

Q71. Do you agree with our proposal?

- Agree*
- Disagree. Please specify the threshold level you think is appropriate and state reason(s) for your view:*

Comments:

- (c) a continuing connected transaction shall be subject to shareholders' approval if the annual total consideration or value of the transaction exceeds the limit set out in (b) above. Any connected person interested in the continuing connected transaction shall abstain from voting at the general meeting approving the transaction.

Q72. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 29.6 of Part B of the Consultation Paper

We will amend the Main Board Rules so that issuers proposing to enter into continuing connected transactions falling under paragraph 29.5(b) or 29.5(c) Part B of the Consultation Paper must:

- (a) in respect of each connected transaction, enter into agreement(s) with the connected person, the period for which shall not exceed 3 years;
- (b) in respect of each connected transaction, set a maximum aggregate annual value which must be acceptable to us; and
- (c) comply with the relevant reporting, announcement and/or the shareholders' approval requirements if required. If the relevant cap is exceeded, the issuer must again comply with the relevant reporting, announcement and/or the shareholders' approval requirements.

Q73. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 29.7 of Part B of the Consultation Paper

We will also amend the Rules to require shareholders' approval for the continuing connected transactions at the time when an issuer first enters into the transactions and when the agreement is renewed or there is a material change to the terms of the agreement. Any shareholders who have a different interest from other shareholders in the transactions will be required to abstain from voting.

Q74. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 29.8 of Part B of the Consultation Paper

We will amend the GEM Rules to remove the requirements of annual review and re-approval of the transactions and the cap by shareholders (other than those who have a different interest from other shareholders in the transactions) at annual general meetings following the initial approval.

Q75. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 29.9 of Part B of the Consultation Paper

We will amend the Rules so that in circumstances where an issuer had entered into an agreement with a person involving continuing transactions, and such person subsequently became a connected person, the issuer shall treat such transactions as continuing connected transactions. The issuer must take appropriate actions to comply with the requirements of the Rules as soon as reasonably practicable.

Q76. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

MEANING OF “SUBSIDIARY”

Paragraph 30.10 of Part B of the Consultation Paper

Under the Rules, the definition of “subsidiary” includes any entity which is regarded as a subsidiary under the Hong Kong Companies Ordinance. We will amend the Rules to expand the definition of “subsidiary” for all purposes of the Rules to include an entity which is accounted for in the audited consolidated accounts of an issuer as a subsidiary under the applicable accounting principles under SSAP 32 or IAS 27.

Q77. Do you agree with our proposal?

- Agree
- Disagree

Comments:

DISPOSAL OF CONTROLLING SHAREHOLDERS' INTERESTS

Commencement of lock-up period

Paragraph 31.3 of Part B of the Consultation Paper

We will amend the Rules so that the lock-up period for the disposal of securities by controlling shareholders of Main Board issuers and significant shareholders of GEM issuers shall commence from the date the listing document is issued and end upon 6 months after the commencement of dealing of the issuer's securities on the Exchange. The same lock-up period shall apply to the initial management shareholders of GEM issuers, except that it will end upon 12 months after the date of listing. In the case of initial management shareholders holding 1% or less interest in the issuer, the lock-up period will end upon 6 months after the date of listing. Offer for sale as disclosed in a listing document shall be allowed during the period from the date of the listing document to the date of listing.

Q78. Do you agree with our proposal?

- Agree
- Disagree

Comments:

Agreement for disposal of shares

Paragraph 32.2 of Part B of the Consultation Paper

We will amend the Main Board Rules so that controlling shareholders shall be prohibited from entering into any agreement to dispose of shares of an issuer, including creation of any option, rights or interests in relation to their shares, during the relevant restriction periods under the Main Board Rules.

Q79. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 32.3 of Part B of the Consultation Paper

We will retain the current exceptions set out in the Rules including, in particular, a pledge or charge to an authorised institution as security for a bona fide commercial loan.

Q80. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Deemed disposal of controlling shareholders' interests

Paragraph 33.5 of Part B of the Consultation Paper

We will amend the Main Board Rules to codify the current practice to prevent a deemed disposal of controlling interest by controlling shareholders. This would disallow issuers, within the first 6 months of listing, to issue shares or securities convertible into equity securities or agree to such an issue (whether or not such issue of securities will be completed within the first 6 months of listing), other than:

- (a) the issue of shares, the listing of which have been approved by us, pursuant to a share option scheme;
- (b) the exercise of conversion rights of warrants issued as part of the initial public offering; and
- (c) capitalisation issue or any consolidation, sub-division or capital reduction of shares.

We will amend the GEM Rules to allow for the issue of shares in (a) and (b) above, in addition to the existing provisions.

Q81. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

**PART C OF THE CONSULTATION PAPER
DIRECTORS AND BOARD PRACTICES**

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”)

Further guidance regarding independence

Paragraph 1.4 of Part C of the Consultation Paper

We will include more guidelines in the Rules to describe the independence of INEDs. Although none of the factors below would necessarily be conclusive on the independence of a director, we consider that independence is more likely to be questioned if the INED:

- (a) holds more than 5% of any class of the issuer’s issued share capital;

Q82. Do you agree with our proposal?

Agree

Disagree (please tick one of the following)

No restriction should be imposed on INED’s holding of securities of the issuer. Please state reason(s) for your view.

The percentage limit on shareholding in the issuer should be (please tick one of the following):

1%

2%

3%

4%

Other. Please specify: _____.

Please state reason(s) for your view:

Comments:

- (b) has received an interest in securities of the issuer as gift from or by means of other financial assistance from a connected person of the issuer or from the issuer itself.

However, the INED will still be considered to be independent if:

- (i) he receives shares or interests in securities from the issuer or its subsidiaries (but not from connected persons) as part of his normal remuneration package or pursuant to share option schemes established in accordance with the Rules; and
- (ii) the total number of shares held does not exceed 5% of the total issued share capital of the issuer;

Q83. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
- The limit of issued shares should be (please tick one of the following):*
- 1%*
- 2%*

- 3%
- 4%
- Other. Please specify: _____.

Please state reason(s) for your view:

- Other views:*

Comments:

- (c) is a director, partner or principal of a professional adviser which currently provides, or has within the preceding 2 years provided services, or an employee of such professional adviser who is or was involved in providing such services, to:
 - (i) the issuer's group;
 - (ii) the issuer's controlling shareholders or where the issuer has no controlling shareholders, those shareholders who are chief executive or directors (except INEDs); and

(iii) any person who was the issuer's controlling shareholder, chief executive or director (except INED);

Q84. Do you agree with our proposal?

Agree

Disagree (please tick one of the following)

The restriction period should be (please tick one of the following):

1 year

3 years

4 years

5 years

Other. Please specify: _____.

Please state reason(s) for your view.

Other views:

Comments:

- (d) has an interest in any business activity of or is involved in any business dealings with the issuer, its holding company or their respective subsidiaries, or connected persons of the issuer, which is material;

Q85. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

(e) owes allegiance to a particular shareholder or group of shareholders;

Q86. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

(f) is on the board specifically to protect the interests of certain parties whose interests are not the same as shareholders as a whole;

Q87. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

- (g) is or was connected to a director, the chief executive or substantial shareholder of the issuer within the preceding 2 years;

Q88. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
- The restriction period should be (please tick one of the following):*
- 1 year*
- 3 years*
- 4 years*
- 5 years*
- Other. Please specify: _____.*

Please state reason(s) for your view:

Other views:

Comments:

- (h) is a former or current executive or a former or current director of the issuer or a member of the issuer's group or its connected persons within the preceding 2 years; or

Q89. Do you agree with our proposal?

Agree

Disagree (please tick one of the following)

The restriction period should be (please tick one of the following):

1 year

3 years

4 years

5 years

Other. Please specify: _____.

Please state reason(s) for your view:

Other views:

Comments:

- (i) receives his or her remuneration as a director of the issuer, its holding company or their respective subsidiaries, which constitutes a principal source of his or her income.

Q90. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

Paragraph 1.5 of Part C of the Consultation Paper

We will amend the Rules to codify the existing practice and require an INED to provide us with a confirmation in respect of the factors concerning his independence and any other factors that may affect his independence. INEDs will also be required to inform us if there is any change of circumstances which may affect their independence.

Q91. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Qualifications of INEDs

Paragraph 2.3 of Part C of the Consultation Paper

We will amend the Rules to require issuers to appoint at least 1 INED who has appropriate professional qualifications or experience in financial matters.

Q92. *Do you agree with our proposal?*

- Agree*
- Disagree*

Comments:

Minimum number of INEDs

Paragraph 3.5 of Part C of the Consultation Paper

We will amend the Rules so that INEDs shall represent not less than one-third of the members of the board of an issuer to ensure that their views will carry significant weight in the board's decision, irrespective of the size of the board. The number of INEDs shall not be less than 2 in any event.

Q93. *Do you agree with our proposal?*

- Agree*
- Disagree (please tick one of the following)*
 - There should be no requirement for the minimum number of INEDs.*
 - The existing minimum requirement of 2 INEDs under the Rules should be retained.*

- Other views. Please specify the minimum number of INEDs you think is appropriate and state reason(s) for your view:*

Comments:

Q94. If you support the proposal set out in paragraph 3.5 of Part C of the Consultation Paper, what period of lead time do you consider necessary before the requirement for the number of INEDs representing not less than one-third of the members of the board should become effective?

- 6 months*
- 12 months*
- 18 months*
- 24 months*
- Other period: _____ (please specify)*

Comments:

Paragraph 3.6 of Part C of the Consultation Paper

We will amend the Main Board Rules to require an issuer to inform us and publish an announcement immediately if the number of its INEDs falls below the minimum requirement set out in the Rules.

Q95. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 3.7 of Part C of the Consultation Paper

We will also amend the Rules to specify a period of 3 months within which an issuer shall appoint a sufficient number of INEDs to meet the minimum requirement under the Rules after the number of INEDs has fallen below the minimum number required.

Q96. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Independent board committees

Paragraph 4.4 of Part C of the Consultation Paper

We will amend the Rules to codify the existing practice in respect of connected transactions that require any shareholders to abstain from voting and transactions or arrangements that require controlling shareholders to abstain from voting. Issuers shall:

- (a) establish an independent board committee to advise shareholders on the transaction or arrangement, taking into account the recommendations of the independent expert; and
- (b) appoint an independent expert to recommend to the independent board committee whether the terms of the subject transaction or arrangement are fair and reasonable, whether such a transaction or arrangement is in the interest of the issuer and its shareholders as a whole and advise shareholders on how to vote;

Q97. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 4.5 of Part C of the Consultation Paper

We will clarify in the Rules that the independent board committee shall not consist of INEDs who are shareholders of an issuer and have a different interest from other shareholders in the relevant transactions or arrangements. The independent board committee may consist of only 1 INED if all other INEDs are interested in the relevant transactions or arrangements. If all the INEDs have a different interest from other shareholders in the relevant transactions or arrangements, no independent board committee can be formed. The independent expert shall make its recommendation to shareholders in its letter set out in the circular to shareholders.

Q98. *Do you agree with our proposal?*

- Agree*
- Disagree*

Comments:

Paragraph 4.6 of Part C of the Consultation Paper

We will specify in the Rules that the circular to shareholders shall contain:

- (a) a separate letter from the independent board committee advising shareholders on the transaction or arrangement, taking into account the recommendations of the independent expert; and
- (b) a separate letter from the independent expert to recommend to the independent board committee whether the terms of the transaction or arrangement are fair and reasonable, whether the transaction or arrangement is in the interest of the issuer and its shareholders as a whole and advise shareholders on how to vote.

Q99. *Do you agree with our proposal?*

- Agree*
- Disagree*

Comments:

BOARD PRACTICES

Code of Best Practice

Paragraph 5.3 of Part C of the Consultation Paper

We will amend the Rules so that the Code of Best Practice will be set out as an appendix to the Rules and will be the minimum standard that we recommend all issuers to meet. Compliance with the minimum standard set out in the Code of Best Practice will not be a mandatory requirement. Issuers will be allowed to deviate from such minimum standard. Issuers shall disclose any deviation from the minimum standard in the Code of Best Practice in their reports on corporate governance in their annual reports.

Q100. Do you agree with our proposal?

- Agree*
- Disagree (please tick one or more of the following)*
 - Compliance with the Code of Best Practice should be made mandatory.*
 - Issuers should not be required to disclose any deviation from the minimum standard in the Code of Best Practice in their annual reports.*
 - Other views:*

Comments:

Paragraph 5.4 of Part C of the Consultation Paper

We will amend the Rules to require issuers to disclose the following information in their half-year reports:

- (a) whether they have met the minimum standard in the Code of Best Practice; and
- (b) any substantial changes in their own corporate governance practices since the publication of their latest annual reports.

Q101. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Report on corporate governance

Paragraph 6.3 of Part C of the Consultation Paper

We will amend the Rules to require issuers to include a report on corporate governance practices prepared by the board of directors in their annual reports. The Rules will not dictate the contents of the report since the circumstances of each issuer are different. However, the report shall be comprehensive and shall, at least, include the following information:

- (a) the corporate governance practices, particularly in relation to directors, board practices and shareholders' rights, adopted by the issuer;
- (b) whether the issuer meets the minimum standard in the Code of Best Practice and its own code; and
- (c) in the event of any deviation from the minimum standard in the Code of Best Practice, details of such deviation during the financial year.

If the proposals set out in paragraphs 7.8, 8.6, 9.8, 11.5 and 12.4 of Part C of the Consultation Paper are adopted, information that must be disclosed under these proposals shall form part of the report on corporate governance of the issuers.

Q102. Do you agree with our proposal?

- Agree*
- Agree, but the report on corporate governance should also include the following additional item(s). Please specify those item(s) and state reason(s) for your view:*

- Agree, but the report on corporate governance should not require disclosure of the following item(s). Please specify those item(s) and state reason(s) for your view:*

- Disagree. Issuers should not be required to include a report on corporate governance in their annual reports.*

Establishment of governance committees

Audit committee

Paragraph 7.3 of Part C of the Consultation Paper

We will amend the Main Board Rules to follow the GEM Rules so that establishing an audit committee shall become a compulsory requirement.

Q103. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 7.4 of Part C of the Consultation Paper

We will amend the Rules to require the audit committee to comprise at least 3 non-executive directors with a majority of INEDs.

Q104. Do you agree with our proposal?

- Agree*
- Disagree. Please describe the composition of the audit committee you think is appropriate, specify the minimum number of audit committee members, and state reason(s) for your view:*

Comments:

Q105. Do you agree that the chairman of the audit committee should be an INED?

Agree

Disagree. Please state reason(s) for your view:

Comments:

Paragraph 7.5 of Part C of the Consultation Paper

We will amend the Rules to require the audit committee to have at least 1 committee member with appropriate qualifications or experience in financial reporting, if the proposal of appointment of at least 1 INED who has appropriate professional qualifications or experience in financial matters is adopted.

Q106. Do you agree with our proposal?

Agree

Disagree

Comments:

Paragraph 7.6 of Part C of the Consultation Paper

We will amend the Rules to provide that if an issuer fails to constitute an audit committee, or at any time has not appointed a sufficient number of non-executive directors and INEDs to the audit committee, it must inform us immediately and publish an announcement in this regard.

Q107. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 7.7 of Part C of the Consultation Paper

We will set out a list of the duties and responsibilities of the audit committee in the Rules to provide further guidance to issuers. The list shall include the following:

- (a) to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
- (b) to discuss with the external auditor the nature and scope of the audit before the audit commences;
- (c) to review from time to time the cost effectiveness of the audit and the independence and objectivity of the external auditor;
- (d) to review the quarterly, half-year and annual financial statements before submission to the board of directors, focusing particularly on:
 - (i) any changes in accounting policies and practices
 - (ii) major judgmental areas
 - (iii) significant adjustments resulting from audit

- (iv) going concern assumption
 - (v) compliance with accounting standards
 - (vi) compliance with the Rules and other legal requirements;
- (e) to discuss, in the absence of management where necessary, problems and reservations arising from the quarterly and half-year reviews or annual audits, and any matters the auditor may wish to raise;
 - (f) to review the external auditor's management letter and management's response;
 - (g) to discuss with the management the system of internal controls and that management has discharged its duties in having an effective internal control system;
 - (h) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and that the internal audit function is adequately resourced and has appropriate standing within the issuer;
 - (i) to consider any findings of major investigations of internal control matters and management's response;
 - (j) to review the group's operating, financial and accounting policies and practices;
 - (k) to consider other topics, as defined by the board of directors; and
 - (l) to report on all of the above matters to the board of directors.

Q108. Do you agree with our proposal?

- Agree. Please specify any item(s) you think should be added to or deleted from the list of duties and responsibilities of the audit committee set out in paragraph 7.7 of Part C of the Consultation Paper. Please also state reason(s) for your view:*

- Disagree*

Comments:

Paragraph 7.8 of Part C of the Consultation Paper

We will amend the Rules to require issuers to disclose the following information relating to the audit committee in their annual reports:

- (a) its role and function;
- (b) its composition;
- (c) the number of audit committee meetings held during the year and record of attendance of members during the year;
- (d) a report on the work performed by the audit committee during the year, including its findings on review of the quarterly/half-year/annual results, adequacy and effectiveness of issuer's internal control systems, etc; and
- (e) significant issues addressed by the audit committee during the year.

Q109. Do you agree with our proposal?

- Agree. Please specify any information you think should be added to or deleted from the list of disclosure items set out in paragraph 7.8 of Part C of the Consultation Paper. Please also state reason(s) for your view:*

- Disagree*

Comments:

Remuneration committee

Paragraph 8.4 of Part C of the Consultation Paper

8.4 We will amend the Code of Best Practice to recommend issuers to establish a remuneration committee only comprising INEDs. We do not propose to make this a mandatory requirement.

Q110. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - There is no need for issuers to establish a remuneration committee.*

- Establishing a remuneration committee should be a compulsory requirement. Please state reason(s) for your view:*

- Other views:*

Comments:

Q111. Do you agree that a remuneration committee (if any) should comprise INEDs only?

Agree

Disagree. Please describe the composition of a remuneration committee you think is appropriate and state reason(s) for your view:

Comments:

Paragraph 8.5 of Part C of the Consultation Paper

We will amend the Code of Best Practice to include the principal functions of the remuneration committee. These include establishing a formal and transparent procedure for developing policy on directors’ remuneration and for fixing the remuneration packages of individual directors, and ensuring that no director is involved in deciding his or her own remuneration.

Q112. Do you agree with our proposal?

- Agree. Please specify any other duties and functions of the remuneration committee you think are appropriate and state reason(s) for your view:

- Disagree

Comments:

Paragraph 8.6 of Part C of the Consultation Paper

We will amend the Rules to require issuers to disclose the following information in their annual reports:

- (a) the role, function and composition of the remuneration committee (if any) or the reason for not having a remuneration committee;
- (b) the number of meetings held by the remuneration committee or the board of directors (if there is no remuneration committee) during the year to discuss remuneration related matters and the attendance record of members at meetings held during the year;
- (c) a summary of the work, including determining the policy for the remuneration of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee or board of directors (if there is no remuneration committee) during the year; and
- (d) significant remuneration related issues addressed by the remuneration committee or the board of directors (if there is no remuneration committee) during the year.

Q113. Do you agree with our proposal?

- Agree. Please specify any information you think should be added to or deleted from the list of disclosure items set out in paragraph 8.6 of Part C of the Consultation Paper. Please also state reason(s) for your view:

- Disagree

Comments:

Nomination committee

Paragraph 9.6 of Part C of the Consultation Paper

We will amend the Code of Best Practice to recommend issuers to establish a nomination committee comprising a majority of INEDs. We do not propose to make this a mandatory requirement.

Q114. Do you agree with our proposal?

- Agree
- Disagree (please tick one of the following)
- There is no need for issuer to establish a nomination committee.

- Establishing a nomination committee should be a compulsory requirement. Please state reason(s) for your view:*

- Other views:*

Comments:

Q115. Do you agree that a nomination committee (if any) should comprise INEDs only?

- Agree*
- Disagree. Please describe the composition of a nomination committee you think is appropriate and state reason(s) for your view:*

Comments:

Paragraph 9.7 of Part C of the Consultation Paper

We will amend the Code of Best Practice to include the principal functions of the nomination committee. These include making recommendations to the board on all directors' appointments, evaluating the performance of the directors and assessing the independence of INEDs.

Q116. Do you agree with our proposal?

- Agree. Please specify any other duties and functions of a nomination committee you think are appropriate and state reason(s) for your view:*

- Disagree*

Comments:

Paragraph 9.8 of Part C of the Consultation Paper

We will also amend the Rules to require issuers to disclose the following information in their annual reports:

- (a) the role, function and composition of a nomination committee (if any) or the reason for not having a nomination committee;
- (b) the nomination procedures adopted by and a summary of the work, including determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year; and
- (c) significant issues in relation to the nomination of directors addressed by the nomination committee or the board of directors (if there is no nomination committee) during the year.

Q117. Do you agree with our proposal?

- Agree. Please specify any information you think should be added to or deleted from the list of disclosure items set out in paragraph 9.8 of Part C of the Consultation Paper. Please also state reason(s) for your view:*

- Disagree*

Comments:

DIRECTORS' DUTIES AND RESPONSIBILITIES

Duties and responsibilities of non-executive directors

Paragraph 10.3 of Part C of the Consultation Paper

We will amend the Code of Best Practice to include a general description of the duties and responsibilities of non-executive directors, which shall include:

- (a) participating in board meetings of the issuer to bring an independent judgement to bear on issues of strategy, performance, resources, key appointments and standards of conduct;
- (b) protecting the interests of shareholders, particularly minority or independent shareholders if the issuer is controlled by a single shareholder or group of shareholders, including inquiring into any unusual matters or decisions which may be detrimental to the interests of such shareholders; and
- (c) participating in the audit committee and other governance committees where applicable.

Q118. Do you agree with the proposal?

- Agree. Please specify any other duties and functions of non-executive directors you think are appropriate and state reason(s) for your view:*

- Disagree*

Comments:

Chairman and chief executive officer

Paragraph 11.4 of Part C of the Consultation Paper

We will amend the Code of Best Practice to recommend segregation of the roles of chairman and chief executive officer as a good practice. However, in view of the practical issues in relation to the segregation of these two roles, we do not propose make this a mandatory requirement.

Q119. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - There is no need for the issuer to segregate the roles of chairman and chief executive officer.*
 - Segregation of the roles of chairman and chief executive officer should be made mandatory.*
 - Other views:*

Comments:

Paragraph 11.5 of Part C of the Consultation Paper

We will amend the Rules to require issuers to disclose in their annual reports whether or not these two roles are segregated.

Q120. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Internal controls

Paragraph 12.3 of Part C of the Consultation Paper

We will amend the Code of Best Practice to recommend directors of issuers to regularly conduct a review of the effectiveness of the group's system of internal controls. We do not propose make this a mandatory requirement. The review should cover all controls, including financial, operational and compliance controls, and risk management.

Q121. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 12.4 of Part C of the Consultation Paper

We will also amend the Rules to require issuers, which have conducted a review of their system of internal controls, to include a report on such review in their annual reports. The report on the review shall disclose:

- (a) a statement that the directors are responsible for the system of internal controls;
- (b) details of any significant areas of concern which may affect shareholders;
- (c) an explanation of how the system of internal controls has been defined for the issuer;
- (d) procedures and internal controls for the dissemination of price sensitive information;
- (e) whether the issuer has an internal audit function;
- (f) the period which the review covers;
- (g) how often internal controls are reviewed;
- (h) significant views or proposals put forward by the audit committee; and
- (i) a statement that the directors have reviewed the effectiveness of the system of internal controls.

Q122. Do you agree with our proposal?

- Agree. Please specify any other information you think should be added to or deleted from the list of disclosure items set out in Paragraph 12.4 of Part C of the Consultation Paper. Please also state reason(s) for your view:*

- Disagree*

Comments:

Voting by interested directors

Paragraph 13.3 of Part C of the Consultation Paper

We will amend the Rules to require a director to abstain from voting on any matter in which he or any of his associates (as defined in the Rules) has any interest which is different from other shareholders and not to be counted towards the quorum of the relevant board meeting. There will be an exception to the general prohibition if the relevant interest is immaterial. The existing exceptions to the general voting prohibition as currently provided in the Rules will continue to apply.

Q123. Do you agree with our proposal?

- Agree*

- Disagree*

Comments:

SECURITIES TRANSACTIONS BY DIRECTORS

Disclosure of breaches

Paragraph 14.3 of Part C of the Consultation Paper

We will amend the Rules to expressly provide that any breach of such minimum standard set out in the Rules will be regarded as a breach of the Rules. If an issuer sets its own code at a standard higher than that contained in the Rules, any breach of such code will not be regarded as a breach of the Rules provided that the minimum standard contained in the Rules is met.

Q124. *Do you agree with our proposal?*

- Agree*
- Disagree*

Comments:

Paragraph 14.4 of Part C of the Consultation Paper

In order to promote transparency, we will amend the Rules to require issuers to disclose in their annual and half-year reports:

- (a) whether the issuer has adopted a code of conduct regarding securities transactions at a higher standard than the standard set out in the Rules;
- (b) whether its directors have complied with or whether there has been any non-compliance with the minimum standard set out in the Rules and its code of conduct regarding securities transactions; and
- (c) in the event of any non-compliance with the minimum standard set out in the Rules, details of such non-compliance.

Q125. Do you agree with our proposal?

- Agree. Please specify any information you think should be added to or deleted from the list of disclosure items set out in paragraph 14.4 of the Consultation Paper. Please also state reason(s) for your view:*

- Disagree*

Comments:

Definition of “dealing”

Paragraph 15.2 of Part C of the Consultation Paper

We will amend the Rules to include a definition of “dealing”. “Dealing” shall mean any sale or purchase of any securities, or offer or agreement to sell or purchase any securities, and the grant, acceptance, acquisition, disposal, exercise or discharge of any option (whether for a call, or put, or both) or other right or obligation, present or future, conditional or unconditional, to acquire or dispose of securities, or any interest in securities, of the issuer and “deal” shall be construed accordingly. The restriction on “dealing” will extend to cover any pledge of securities of the issuer by its directors.

Q126. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 15.3 of Part C of the Consultation Paper

We will amend the Rules to clarify that an acquisition of qualification shares by directors will not be regarded as a “dealing” in securities for the purposes of the Rules.

Q127. Do you agree with our proposal?

- Agree. Please specify any other instances you think should be regarded as “dealings” and state reason(s) for your view:*

Disagree

Comments:

Dealings by directors in “exceptional circumstances”

Paragraph 16.3 of Part C of the Consultation Paper

We will amend the Model Code for Securities Transactions by Directors of Listed Companies set out in the Main Board Rules and the GEM Rules relating to the procedures for directors’ dealing in the issuers’ securities under exceptional circumstances during the “black out” period. A director will be allowed to sell, but not acquire, securities of the issuer under exceptional circumstances during the “black out” period. This would only be allowed provided the director has submitted a prior written notice to and received a dated written acknowledgement from the chairman of the board or a director designated by the board. The director shall satisfy the chairman or the designated director that the circumstances are exceptional before he can deal in the securities. Failure to comply with these requirements will constitute a breach of the Rules.

Q128. Do you agree with our proposal?

Agree

Disagree

Comments:

Paragraph 16.4 of Part C of the Consultation Paper

We will amend the Rules to require an issuer to give written notice of such dealings to us stating why it considered the circumstances to be exceptional. The issuer shall issue an announcement immediately to disclose such dealings after they are completed. The announcement shall state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale of the issuer's securities by the director.

Q129. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Directors as trustees or beneficiaries

Paragraph 17.4 of Part C of the Consultation Paper

We will amend the Rules to reflect the following:

- (a) if the director is acting as a sole trustee, the relevant Rules will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee, in which case the relevant Rules will not apply); and
- (b) when the director deals in the securities of an issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities, and he is not, and none of his associates are, a beneficiary or a discretionary object under the trust, the dealings by the trust will not be regarded as his dealings.

Q130. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Securities transactions by “relevant employees”

Paragraph 18.3 of Part C of the Consultation Paper

We will amend the Code of Best Practice to recommend issuers to establish a guideline for their employees’ securities transactions, which should be on no less exacting terms than the minimum standard of conduct for directors’ securities transactions set out in the Rules. We do not propose to make this a mandatory requirement. We will also include a definition of “relevant employee” in the Code of Best Practice. A “relevant employee” is any employee of an issuer or director or employee of a subsidiary or parent company of the issuer who, because of his office, is likely to be in possession of unpublished price-sensitive information in relation to the issuer.

Q131. Do you agree with our proposal to recommend issuers to establish a guideline for their employees’ securities transactions, which should be on no less exacting terms than the minimum standard of conduct for directors’ securities transactions set out in the Rules?

- Agree*
- Disagree*

Comments:

Q132. Do you agree with the proposed definition of “relevant employee”?

Agree

Disagree. Please state reason(s) for your view:

Comments:

“Black out” period of directors’ securities transactions

Paragraph 19.7 of Part C of the Consultation Paper

We will amend the Rules so that for quarterly reports, the relevant “black out” period for securities transactions by directors in the Rules will be 2 weeks immediately preceding the earlier of the date of the board meeting approving the quarterly results and the deadline of publication of the results announcement, and end on the date of the results announcement. No amendments to the Rules will be made for the relevant “black out” period for half-year and annual results.

Q133. Do you agree with our proposal?

- Agree*
- Disagree (please tick one of the following)*
 - The “black out” period for half-year, annual and quarterly reporting should be removed and disclosure by way of announcement by issuers on the next business day after dealing is sufficient. Please state reason(s) for your view:*

- The “black out” period for half-year and annual results in the Rules should be retained. The “black-out” period for quarterly reporting should also be 1 month immediately preceding the preliminary announcement of the quarterly results. Please state reason(s) for your view:*

The “black out” period should follow the UK Listing Rules, whereby directors are not allowed to deal in the issuers’ securities for:

(a) a period of 2 months immediately before the preliminary announcement of annual results, or if shorter, the period from the relevant financial year end up to and including the time of the announcement;

(b) a period of 2 months immediately before publication of the half-year report, or if shorter, the period from the relevant financial period end up to and including the time of the publication; and

(c) a period of 1 month immediately before the announcement of quarterly results, or if shorter, the period from the relevant financial period end up to and including the time of such announcement, where the issuers report on a quarterly basis.

Please state reason(s) for your view:

Other views:

Comments:

Q134. Do you agree that the “black out” period for half-year, annual and quarterly reporting should commence from the end of the respective financial year or period and end on the date of publication of the results announcement?

- Agree
- Disagree

Comments:

DIRECTORS’ CONTRACTS, REMUNERATION AND APPOINTMENTS

Directors’ service contracts

Paragraph 20.7 of Part C of the Consultation Paper

We will amend the Rules to require approval of shareholders (other than shareholders who are the directors with an interest in the service contracts and their associates) for:

- (a) a service contract that is to be granted to a director of the issuer or any of its subsidiaries for a duration exceeding 3 years; or

Q135. Do you agree with our proposal?

- Agree
- Disagree (please tick one of the following)
 - No shareholders’ approval should be required, regardless of the length of the service contract.
 - Shareholders’ approval should be obtained if the length of the service contract is more than (please tick one of the following):
 - 1 year

- 2 years
- 5 years
- 10 years
- Other. Please specify: _____ .

Comments:

- (b) a service contract that requires the issuer to give a period of notice of more than 1 year or to pay compensation of more than a year's remuneration (other than solely on account of an early termination by the issuer of a fixed term contract).

Q136. Do you agree with our proposal?

- Agree
- Disagree (please tick one or more of the following)
 - No shareholders' approval should be required, regardless of the length of period of notice or the amount of compensation.
 - Shareholders' approval should be obtained if the service contract requires issuers to give a period of notice of more than: _____ month(s) (please specify).
 - Shareholders' approval should be obtained if the service contract requires issuers to pay compensation of more than: _____ month(s) (please specify).

Comments:

Paragraph 20.8 of Part C of the Consultation Paper

The remuneration committee of the issuer (if any) or an independent board committee should form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders who are directors with an interest in the service contracts and their associates) on how to vote.

Q137. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Disclosure of directors' remuneration

Paragraph 21.3 of Part C of the Consultation Paper

We will amend the Rules to remove the current requirement of disclosure of directors' remuneration by bands and require issuers to disclose the following information relating to directors' remuneration and compensation packages in their annual reports:

- (a) directors' remuneration and compensation packages by individual director (including INEDs) showing the name of each director and the amounts of remuneration and compensation;

- (b) remuneration policy and long-term incentive schemes;
- (c) details of the basis on which fees and other benefits for INEDs are determined; and
- (d) information on share options held by directors as required in the Rules.

Q138. Do you agree with our proposal?

- Agree. Please specify any information you think should be added to or deleted from the list of disclosure items set out in paragraph 21.3 of Part C of the Consultation Paper. Please also state reason(s) for your view:*

- Agree, but the information should be disclosed on a no-name basis.*
- Disagree. The Rules which require disclosure of directors' remuneration by bands should be retained. There is no need to disclose such information by individual directors showing the name of each director and the amounts of remuneration and compensation.*

Comments:

Appointment, reappointment and removal of directors

Paragraph 22.4 of Part C of the Consultation Paper

We will amend the Rules to require directors to be subject to rotation at regular intervals. Retiring directors shall be eligible for re-election.

Q139. Do you agree with our proposal?

- Agree*
- Disagree. Please reason(s) for your view:*

Comments:

Q140. Do you agree to require appointment, reappointment and removal of INEDs to be subject to independent shareholders' approval?

- Agree*
- Disagree*

Comments:

**PART D OF THE CONSULTATION PAPER
CORPORATE REPORTING
AND
DISCLOSURE OF INFORMATION**

QUARTERLY REPORTING

Quarterly reports

Paragraph 1.11 of Part D of Consultation Paper

We will amend the Main Board Rules to require issuers to publish quarterly reports within 45 days of the quarter-end.

Q141. Do you agree with our proposal to require Main Board issuers to publish their financial results on a quarterly basis?

- Agree*
- Agree, but subject to comments relating to disclosure content and/or timeliness of reporting in questions 142 and 144 to 146 below.*
- Disagree. Please state reason(s) for your view:*

Comments:

Q142. Do you agree with our proposal to require issuers to publish their quarterly results and despatch their quarterly reports within 45 days after the end of the relevant quarterly period?

- Agree
- Disagree. The reporting deadline for quarterly reporting should be (please tick one of the following):
 - 1 month
 - 2 months
 - Other. Please specify: _____.

Comments:

Q143. Do you agree that the financial reporting framework should be quarterly reporting for the first and third quarters of a financial year, half-year reporting for the first half of a financial year and annual reporting for the financial year?

- Agree
- Disagree (please tick one of the following)
 - Quarterly reporting for each of the first, second and third quarters of an issuer's financial year and annual reporting for its financial year.
 - Other views:

Comments:

Paragraph 1.12 of Part D of Consultation Paper

We will amend the Main Board Rules to require issuers to include as a minimum the information set out in Appendix I to the Consultation Paper in their quarterly reports. We will amend the GEM Rules where appropriate so that the same disclosure requirements will apply to GEM issuers.

Q144. Do you agree with our proposal that quarterly reports should contain as a minimum the information set out in Appendix I to the Consultation Paper?

- Agree*
- Disagree. Please specify those items which should be added to or deleted from Appendix I to the Consultation Paper and state reason(s) for your view:*

Comments:

Q145. Do you agree that quarterly reports should contain the following comparative income statements, or in the case of a group, comparative consolidated income statements:

(a) for the comparable quarter of the immediately preceding financial year;
and

(b) for the comparable year to date period of the immediately preceding financial year?

Agree

Agree, except that a comparative consolidated income statement for the immediately preceding quarter should replace item (a) above.

Disagree. Please state reason(s) for your view:

Comments:

Q146. Do you agree that that the same disclosure requirements should apply to Main Board and GEM issuers?

Agree

Disagree. Please state reason(s) for your view:

Comments:

Paragraph 1.13 of Part D of the Consultation Paper

We will amend the Main Board Rules to require audit committees to review their issuers' quarterly reports.

Q147. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

Quarterly results announcements

Paragraph 2.4 of Part D of the Consultation Paper

We will amend the Main Board Rules to require issuers to publish their quarterly results announcements on the next business day following their approval by the board of directors and within 45 days of the quarter-end.

Q148. Do you agree with our proposal?

- Agree*
- Agree, but subject to comments relating to disclosure content in question 149 below.*
- Disagree. Please state reason(s) for your view:*

Comments:

Paragraph 2.5 of Part D of the Consultation Paper

We will amend the Main Board Rules to require issuers to disclose as a minimum the information set out in the relevant sections of Appendix I to the Consultation Paper in their quarterly results announcements. We will also amend the GEM Rules to mirror the proposed disclosure requirements for the quarterly results announcements of Main Board issuers.

Q149. Do you agree with our proposal that quarterly results announcements should contain as a minimum the information set out in the relevant sections of Appendix I to the Consultation Paper?

- Agree*
- Disagree. Please specify those items which should be added to or deleted from the relevant sections of Appendix I to the Consultation Paper and state reason(s) for your view:*

Comments:

Paragraph 2.6 of Part D of the Consultation Paper

We will amend the Main Board Rules to require audit committees to review their issuers' quarterly results announcements.

Q150. Do you agree with our proposal?

- Agree*
- Disagree. Please state reason(s) for your view:*

Comments:

HALF-YEAR REPORTING

Half-year reports

Paragraph 3.7 of Part D of the Consultation Paper

We will amend the Rules to permit issuers to distribute summary half-year reports containing, as a minimum, the information set out in Appendix II to the Consultation Paper.

Q151. Do you agree with our proposal to permit issuers to distribute summary half-year reports?

- Agree*
- Agree, but subject to comments relating to disclosure content in question 152.*
- Disagree. Please state reason(s) for your view:*

Comments:

Q152. Do you agree with our proposal that summary half-year reports should contain, as a minimum, the information set out in Appendix II to the Consultation Paper?

- Agree*
- Disagree. Please specify those items which should be added to or deleted from Appendix II to the Consultation Paper:*

Comments:

Paragraph 3.8 of Part D of the Consultation Paper

We will amend the Rules to require issuers to publish their half-year results and despatch their half-year reports within 2 months of the relevant period end.

Q153. Do you agree with our proposal?

- Agree*
- Disagree. The reporting deadline for half-year reporting should be (please tick one of the following):*
 - 1 month*
 - 45 days*
 - 3 months*
 - The existing requirements for Main Board and GEM issuers to publish their half-year results and despatch their half-year reports within 3 months and 45 days respectively should be retained.*
 - Other. Please specify: _____.*

Comments:

Half-year results announcements

Paragraph 4.9 of Part D of the Consultation Paper

We will amend the Rules to the effect that issuers will disclose in their half-year results announcements, in principle, the same information as disclosed in a summary half-year report. Details of these disclosure requirements are set out in the relevant sections of Appendix II to the Consultation Paper.

Q154. Do you agree with our proposal?

- Agree*
- Disagree. Please specify those items you think should be added to or deleted from the list set out in Appendix II to the Consultation Paper:*

- Disagree. The current disclosure requirements should be retained.*

Comments:

Paragraph 4.10 of Part D of the Consultation Paper

If the proposal in paragraph 4.9 of Part D of the Consultation Paper is adopted, we will amend the Main Board Rules to abolish the existing two-phased publication arrangement for half-year results announcements.

Q155. Do you agree with our proposal?

- Agree*
- Disagree. Please state reason(s) for your view:*

Comments:

Q156. If you disagree with our proposals set out in paragraphs 4.9 and 4.10 of Part D of the Consultation Paper and prefer to retain the Main Board Rules' existing disclosure requirements and two-phased publication arrangement in relation to half-year results announcements, how many days should be given to Main Board issuers to submit to us the full half-year results announcement following the publication of the simplified results announcement (please tick one of the following)?

- 1 day*
- 7 days*
- 14 days*

- 21 days (existing requirement)
- Other. Please specify the period you think is appropriate and state reason(s) for your view:

Comments:

FULL YEAR REPORTING

Annual reports

Paragraph 5.6 of Part D of the Consultation Paper

We will amend the Main Board Rules to follow the GEM Rules and require issuers to publish and despatch their annual reports within 3 months of their financial year end.

Q157. Do you agree with our proposal?

- Agree
- Disagree. Please state reason(s) for your view:

Comments:

Paragraph 5.7 of Part D of the Consultation Paper

We will amend the Rules to include the reference disclosures relating to corporate governance matters for issuers' annual reports set out in Appendix IV to the Consultation Paper.

Q158. Do you agree with our proposal?

- Agree*
- Disagree. Please state reason(s) for your view:*

Comments:

Summary financial reports

Paragraph 6.2 of Part D of the Consultation Paper

Further to the amendment described in paragraph 6.1 of Part D of the Consultation Paper, we will also amend the Rules to require issuers to disclose the following information in their summary financial report:

- (a) a statement of compliance with and details of any deviation from the minimum standard set out in the Code of Best Practice; and
- (b) particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the financial year or an appropriate negative statement.

Q159. Do you agree with our proposal?

Agree

Disagree. Please state reason(s) for your view:

Comments:

Annual results announcements

Paragraph 7.9 of Part D of the Consultation Paper

We will amend the Rules to the effect that issuers will disclose in their annual results announcements, in principle, the same financial information as disclosed in a summary financial report. Details of the disclosure requirements are set out in Appendix V to the Consultation Paper.

Q160. Do you agree with our proposal?

- Agree*
- Disagree. Please specify those items you think should be added to or deleted from the list set out in Appendix V to the Consultation Paper:*

- Disagree. The current disclosure requirements should be retained.*

Comments:

Paragraph 7.10 of Part D of the Consultation Paper

If the proposal in paragraph 7.9 of Part D of the Consultation Paper is adopted, we will amend the Rules to abolish the existing two-phased publication arrangement for annual results announcements.

Q161. Do you agree with our proposal?

- Agree
- Disagree. Please state reason(s) for your view:

Comments:

Q162. If you disagree with the proposals set out in paragraphs 7.9 and 7.10 of Part D of the Consultation Paper and prefer to retain the existing disclosure requirements and two-phased publication arrangement of the Main Board Rules and GEM Rules in relation to annual results announcements, how many days should be given to issuers to submit to us the full annual results announcements (for Main Board issuers) and the annual reports (for GEM issuers) following the publication of the simplified results announcement (please tick one of the following)?

- 1 day
- 7 days
- 14 days
- 21 days

- Other. Please specify the period you think is appropriate and state reason(s) for your view:*

Comments:

CONTENTS OF CIRCULARS AND ANNOUNCEMENTS RELATING TO NOTIFIABLE TRANSACTIONS

Very substantial acquisitions

Paragraph 8.3 of Part D of the Consultation Paper

We will amend the Main Board Rules to follow the approach in the GEM Rules to require an accountants' report on the enlarged group to be included in such circulars.

Q163. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

General information in all announcements and circulars of notifiable transactions

Paragraph 9.2 of Part D of the Consultation Paper

We will amend the Rules to require issuers to disclose the following information in all announcements and circulars of notifiable transactions:

- (a) book value of the assets being acquired or realised;
- (b) the identity of the counter-party except for a counter-party who is an independent third party and wishes to remain anonymous. We agree that the identity of the third party and its activities are not relevant to the particular transaction;
- (c) details of any guarantee and/other security given and required as part of the transaction;
- (d) reasons for entering into the transaction;
- (e) the business valuation report of a business or company and/or traffic study report in respect of an infrastructure project or project company to be incorporated in the circulars should include:
 - (i) crucial assumptions for the business valuation including discount rate/growth rate used;
 - (ii) sensitivity analysis based on different discount rates and growth rates; and
 - (iii) if the business valuations are based on profit forecasts, the accounting policies and calculations for the forecasts must be examined and reported on by the auditors or consultant accountants. Any financial adviser mentioned in the circular must also report on the forecasts. Please also refer to paragraphs 21.1 to 21.2 of Part B of the Consultation Paper for our proposal for asset valuation;
- (f) the original acquisition cost of the assets which will be sold to connected persons where the issuer has held such assets for a period of 12 months or less; and
- (g) if the transaction involves a disposal of an interest in a subsidiary by an issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the issuer following the transaction.

Q164. Do you agree with our proposal?

- Agree. Please specify any information you think should be added to or deleted from the list of disclosure items set out in paragraph 9.2 of Part D of the Consultation Paper. Please also state reason(s) for your view:

- Disagree

Comments:

Q165. Do you agree that the identity of the counter-party being an independent third party and its activities should be disclosed in the announcement and circular of the transaction?

- Agree. Such information is relevant to the transaction and should be disclosed in the respective announcement and circular.
- Disagree. Such information is not relevant to the transaction and the issuer should not be required to disclose it in the respective announcement and circular.

Comments:

OTHERS

Changes in directorship

Paragraph 10.3 of Part D of the Consultation Paper

We will amend the Main Board Rules to require issuers to publish an announcement of any changes in directorships.

Q166. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 10.4 of Part D of the Consultation Paper

We will amend the Rules to require issuers to disclose biographical details of the newly appointed directors in the announcement of their appointment, including:

- (a) the full name and age;
- (b) positions held with the issuers and other members of the issuers' group;
- (c) previous experience and qualifications held;
- (d) length or proposed length of service with the issuers;
- (e) relationships with any directors, senior management or substantial or controlling shareholders;
- (f) their interests in shares of the issuers within the meaning of the Securities (Disclose of Interests) Ordinance; and
- (g) other information of which shareholders should reasonably be made aware.

We will amend the Rules to require issuers to also disclose biographical details of the newly appointed directors in the notice of meeting, if such appointments are subject to shareholders' approval at the issuers' annual general meeting.

Q167. Do you agree with our proposal?

- Agree. Please specify any other information you think should be disclosed in the announcement and state reason(s) for your view:*

- Disagree*

Comments:

Despatch of notice of general meeting and circular

Paragraph 11.5 of Part D of the Consultation Paper

We will amend the Main Board Rules to follow the GEM Rules so that issuers shall despatch the relevant circulars to shareholders at the same time as or before they give notice of the general meeting to approve the notifiable transaction or the connected transaction concerned.

Q168. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

Paragraph 11.6 of Part D of the Consultation Paper

We will amend the Rules to require issuers to publish notice of general meetings by way of an announcement.

Q169. Do you agree with our proposal?

- Agree*
- Disagree*

Comments:

APPENDIX I TO THE CONSULTATION PAPER
SUMMARY OF DISCLOSURE REQUIREMENTS FOR QUARTERLY
REPORTS AND QUARTERLY RESULTS ANNOUNCEMENTS

Quarterly reports

Each quarterly report shall contain at least the following information in respect of the issuer:

A. Financial information

- (1) Income statement for the current 3-month period and cumulatively for the current financial year to date, with comparative figures for the comparable periods of the immediately preceding financial year, containing as a minimum the following components:
 - (a) turnover;
 - (b) profit (or loss) before taxation, including the share of profit (or loss) of affiliated companies with separate disclosure of any items included therein which are exceptional because of size and incidence;
 - (c) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation with separate disclosure of the taxation on share of affiliated companies' profits;
 - (d) profit (or loss) attributable to minority interests;
 - (e) profit (or loss) attributable to shareholders;
 - (f) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
 - (g) earnings per share;
 - (h) investment and other income;
 - (i) cost of goods sold;
 - (j) interest on borrowings;

- (k) depreciation/amortisation; and
 - (l) profit (or loss) on sale of investments or properties.
- (2) Balance sheet as at the end of the current 3-month period, with comparative figures for the balance sheet as at the end of the immediately preceding financial year, containing as a minimum the following components:
- (a) fixed assets;
 - (b) intangibles;
 - (c) current assets;
 - (d) current liabilities;
 - (e) non-current liabilities;
 - (f) minority interests; and
 - (g) capital and reserves.

Additional information in respect of the group's total bank borrowings as at the end of the relevant period shall be separately disclosed. Any such information must be analysed into the aggregate amounts repayable:

- (i) on demand or within a period of not exceeding 1 year; and
 - (ii) within a period of more than 1 year.
- (3) statement of changes in equity, with comparative figures for the comparable year-to-date period of the immediately preceding financial year; and
- (4) in preparation of the quarterly report, the Exchange expects issuers to comply with the principles for recognition and measurement as prescribed in SSAP 25 or IAS 34 where appropriate. A statement of that fact should be made.
- B. Particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement.

- C. A business review covering the following:
- (a) a fair review of business developments during the financial period and the financial position at the end of the period;
 - (b) details of important events which have occurred since the end of the financial period; and
 - (c) an indication of likely future business developments.
- D. Any supplementary information which in the opinion of the directors of the issuer is necessary for a reasonable appreciation of the results for the relevant period.
- E. Each quarterly report must state whether or not the information provided therein has been audited (and if so, it must set out a copy of the auditors' report thereon). In the event that any auditors' report thereon (if any) has been qualified or modified, details of such qualification or modification must be set out in the quarterly report.
- F. If applicable, the information required to be disclosed under Practice Note 19 of the Main Board Rules or Rule 17.22 to Rule 17.24 of the GEM Rules relating to on-going financial exposure to borrowers and other on-going matters of relevance.
- G. An issuer's audit committee must review the quarterly report. In the event that the audit committee disagreed with an accounting treatment which had been adopted, full details of such disagreement must be disclosed in the quarterly report.

Note: It is the responsibility of the audit committee of the issuer to determine the scope and extent of the review. In reviewing a quarterly report, the audit committee may refer to relevant statements of auditing standards and auditing guidelines in relation to review of interim financial reports for guidance.

Quarterly results announcements

Each quarterly results announcement shall contain at least the information set out under items A(1), A(2), B, C, D and E in respect of the listed group. Within item A(2), however, issuers shall not be required to disclose additional information in respect of the issuer's total bank borrowings.

APPENDIX II TO THE CONSULTATION PAPER
SUMMARY OF DISCLOSURE REQUIREMENTS FOR SUMMARY
HALF-YEAR REPORTS AND HALF-YEAR RESULTS
ANNOUNCEMENTS

Summary half-year reports

Each summary half-year report shall contain at least the following information in respect of the issuer:

A. Financial information

Income statement for the current half-year period, with comparative figures for the comparable period of the immediately preceding financial year, and balance sheet as at the end of the half-year period, with comparative figures for the balance sheet as at the end of the immediately preceding financial year. The income statement and balance sheet should be as they appear in an issuer's full half-year report and should conform with the relevant disclosure requirements of Appendix 16 of the Main Board Rules and Chapter 18 of the GEM Rules.

B. Particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement.

C. A business review covering the following:

- (a) a fair review of business developments during the financial period and the financial position at the end of the period;
- (b) details of important events which have occurred since the end of the financial period; and
- (c) an indication of likely future business developments.

D. A statement as to whether issuers have met the minimum standard in the Code of Best Practice and whether there has been any substantial change in their own corporate governance practices since the publication of their latest annual report.

E. Names of the director(s) who have signed the full half-year report on behalf of the board of directors of the issuer.

- F. A statement to the effect that the summary half-year report only gives a summary of the information and particulars contained in the issuer's full half-year report.
- G. A statement as to how an entitled person of the issuer may obtain free of charge a copy of the issuer's full half-year report from which the report is derived.
- H. A statement as to the manner in which an entitled person may in future notify the issuer of his wishes in relation to the sending to the person of a copy of a summary half-year report in place of a copy of the full half-year report from which it is derived.
- I. Where the accounting information contained in a summary half-year report has been audited by the issuer's auditor, the summary half-year report of an issuer shall contain:–
 - (a) where the auditors' report in the listed issuer's half-year financial statements is qualified or modified (whether or not it is qualified), details of the qualification or modification; and
 - (b) an opinion from the issuer's auditors as to whether the summary half-year report is consistent with the full half-year report from which it is derived.

Half-year results announcements

Each half-year results announcement shall contain at least the information set out under items A, B, C, D and I(a) in respect of the listed group and in addition a statement as to whether the half-year results announcement has been reviewed by the issuer's audit committee.

APPENDIX III TO THE CONSULTATION PAPER
SUMMARY OF NEW DISCLOSURE REQUIREMENTS RELATING
TO BOARD PRACTICES FOR ANNUAL REPORTS

This section summarises the new disclosure requirements relating to corporate governance matters for issuers' annual reports, which are explained in detail in Part C of this Consultation Paper.

(i) Corporate governance practices

An issuer's annual report shall contain a report on corporate governance practices including the following information:

- (a) the corporate governance practices, particularly in relation to directors, board practices and shareholders' rights, adopted by the issuer;
- (b) whether the issuer meets the minimum standard in the Code of Best Practice and its own code; and
- (c) in the event of any deviation from the minimum standard in Code of Best Practice, details of such deviation during the financial year.

(ii) Audit committee

An issuer shall disclose the following information in relation to its audit committee:

- (a) its role and function;
- (b) its composition;
- (c) the number of audit committee meetings held during the year and record of attendance of members during the year;
- (d) a report on the work performed by the audit committee during the year, including its findings on review of the quarterly/half-year/annual results, adequacy and effectiveness of issuer's internal control systems, etc; and
- (e) significant issues addressed by the audit committee during the year.

(iii) Remuneration committee

An issuer shall disclose the following information in relation to its remuneration committee:

- (a) the role, function and composition of the remuneration committee (if any) or the reason for not having a remuneration committee;
- (b) the number of meetings held by the remuneration committee or the board of directors (if there is no remuneration committee) during the year to discuss remuneration related matters and attendance record of members at meetings held during the year;
- (c) a summary of the work, including determining the policy for the remuneration of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee or board of directors (if there is no remuneration committee) during the year; and
- (d) significant remuneration related issues addressed by the remuneration committee or the board of directors (if there is no remuneration committee) during the year.

(iv) Nomination committee

An issuer shall disclose the following information in relation to its nomination committee:

- (a) the role, function and composition of the nomination committee (if any) or the reason for not having a nomination committee;
- (b) the nomination procedures adopted by and a summary of the work, including determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year; and
- (c) significant issues in relation to the nomination of directors addressed by the nomination committee or the board of directors (if there is no nomination committee) during the year.

(v) Segregation of roles of chairman and chief executive

An issuer shall disclose in its annual report whether or not the roles of chairman and chief executive are segregated.

(vi) Internal controls

An issuer which has conducted a review of its system of internal controls shall include a report on such review in its annual report. The report shall include the following information:

- (a) a statement that the directors are responsible for the system of internal controls;
- (b) details of any significant areas of concern which may affect shareholders;
- (c) an explanation of how the system of internal controls has been defined for the issuer;
- (d) procedures and internal controls for dissemination of price sensitive information;
- (e) whether the issuer has an internal audit function;
- (f) the period which the review covers;
- (g) how often internal controls are reviewed;
- (h) significant views or proposals put forward by the audit committee; and
- (i) a statement that the directors have reviewed the effectiveness of the system of internal controls.

(vii) Directors' securities transactions

An issuer's annual report shall contain the following information in respect of directors' securities transactions:

- (a) whether the issuer has adopted a code of conduct regarding securities transactions at a higher standard than the standard set out in the Rules;
- (b) whether its directors have complied with or whether there has been any non-compliance with the minimum standard set out in the Rules and its code of conduct regarding securities transactions; and
- (c) in the event of any non-compliance with the minimum standard set out in the Rules, details of such non-compliance.

(viii) Directors' remuneration

We will amend the Rules to remove the current requirement of disclosure of directors' remuneration by bands and to require issuers to disclose the following information relating to directors' remuneration and compensation packages in their annual reports:

- (a) directors' remuneration and compensation packages by individual director (including INEDs) showing the name of each director and the amounts of remuneration and compensation;
- (b) remuneration policy and long-term incentive schemes;
- (c) details of the basis on which fees and other benefits for INEDs are determined; and
- (d) information on share options held by directors as required in the Rules.

(ix) Auditors' remuneration

The disclosure of auditors' remuneration in the annual report shall be analysed into those in respect of audit service and those in respect of non-audit service.

APPENDIX IV TO THE CONSULTATION PAPER
SUMMARY OF REFERENCE DISCLOSURES RELATING TO
CORPORATE GOVERNANCE MATTERS IN ANNUAL REPORTS

The following disclosures relating to corporate governance matters are provided for issuers' reference. They are not intended to be exhaustive or mandatory: they are rather intended to set out the areas which we consider issuers may comment on in their annual reports. The level of detail, with which such commentary is provided, will vary depending on the nature and complexity of issuers' business activities.

(i) Remuneration of senior management

The annual report may include the following information:

- (a) the number of shares held by senior management (i.e. those individuals whose biographical details are disclosed in the annual report); and
- (b) the aggregate of salaries, the aggregate of bonuses, share options of senior management together with their remuneration policy.

Note: where the above information of senior management is disclosed, the disclosure of the remuneration of the 5 highest paid individuals by band in the annual report shall exclude senior managers whose remuneration is disclosed under remuneration of senior management.

(ii) Investor relations

The annual report may include the following information:

- (a) any significant changes in the issuer's articles of association during the year;
- (b) the way in which shareholders convene an extraordinary general meeting;
- (c) the procedures by which enquiries may be put to the board;
- (d) the procedures for putting forward proposals at shareholders' meetings;
- (e) details of top 10 shareholders;
- (f) review of shareholders by type;

- (g) the number and identity of shareholders holding more than a 5% shareholding;
 - (h) details of last shareholders' meeting;
 - (i) calendar of important shareholders' dates; and
 - (j) public float capitalisation as at the end of the year.
- (iii) Additional commentary on management discussion and analysis

The annual report may include the following information:

- (a) efficiency indicators (e.g. return on equity, working capital ratios) indicating the bases of computation;
- (b) industry specific ratios indicating the bases of computation;
- (c) a discussion of the issuer's corporate strategy;
- (d) an overview of trends in the issuer's industry;
- (e) a discussion on business risks and risks management policy;
- (f) a discussion on the issuer's environmental policies and performance, including compliance with the relevant laws and regulations; and
- (g) a discussion on the issuer's policies and performance on social, ethical and reputational issues.

APPENDIX V TO THE CONSULTATION PAPER
SUMMARY OF DISCLOSURE REQUIREMENTS FOR ANNUAL
RESULTS ANNOUNCEMENTS

Each annual results announcement shall contain at least the following information in respect of the issuer:

A. Financial information

Income statement for the financial year, with comparative figures for the immediately preceding financial year, and balance sheet as at the end of the year, with comparative figures for the balance sheet as at the end of the immediately preceding financial year. The income statement and balance sheet should contain all the information and particulars as they appear in an issuer's annual report.

B. Particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant year, or an appropriate negative statement.

C. A business review covering the following:

(a) a fair review of business developments during the financial year and the financial position at the end of the year;

(b) details of important events which have occurred since the end of the financial year; and

(c) an indication of likely future business developments.

D. Any supplementary information which in the opinion of the directors of the issuer is necessary for a reasonable appreciation of the results for the relevant year.

E. Where the auditors' report on the issuer's annual financial statements is qualified or modified (whether or not it is qualified), details of the qualification or modification.

F. A statement of compliance with and details of any deviation from the minimum standard in the Code of Best Practice.

G. A statement as to whether the annual results announcement has been reviewed by the issuer's audit committee.