

PROFILE OF RESPONDENTS

| | <u>Number</u> |
|--|-------------------|
| Main Board issuers | 103 |
| GEM issuers | 7 |
| Professional and trade associations | 13 |
| Market practitioners – financial advisers | 14 |
| Market practitioners – legal advisers | 11 |
| Market practitioners – accountants | 3 |
| Market practitioners – others | 3 |
| A submission representing near identical responses from 337 individuals who submitted their views via a website operated by a financial analyst | 1 |
| Others | 12 |
| Total | <u><u>167</u></u> |

ANALYSIS OF RESPONSES

The following table sets out an analysis of responses to each of the questions previously set out in the Consultation Paper, relating to the Consultation Proposals. This response analysis should be read in conjunction with the Consultation Conclusion Report and the Consultation Paper, which are available on HKEx's website at www.hkex.com.hk.

| Consultation Proposal | | Percentage to the total responses to the Consultation Proposal | | Reference to the Consultation Conclusion Report |
|---|---|---|----------------|---|
| | | A ¹ | B ² | |
| Part B – Protection of shareholders' rights | | | | |
| Voting by shareholders | | | | |
| Voting by poll | | | | |
| <u>Consultation Proposal B.1.4</u> 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). | | | | Paragraphs 25 to 31 |
| Q1 | Do you agree with our proposal? | | | |
| | | Agree – Voting by poll for connected transactions and all resolutions requiring independent shareholders' approval. | 45% | 12% |
| | | Disagree – Voting by poll only if requested by shareholders pursuant to issuers' constitutional document. | 46% | 12% |
| | | Disagree – Other views | 3% | 1% |
| | Other views – Voting by poll for all resolutions. | 6% | 75% | |

¹ There were 337 individuals submitting their views to us indirectly via a website operated by a financial analyst. We have treated these 337 submissions as one single response.

² We present for information purpose the percentage to the total responses to the Consultation Proposals by treating those 337 individuals who submitted their views to us via a financial website as 337 responses.

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| <p><u>Conclusion</u> We will adopt the Consultation Proposal.</p> <p>We will also extend the requirement of voting by poll to transactions requiring any interested shareholders to abstain from voting.</p> <p>We will also include in the Code of Best Practice that as a good board practice, the chairman of the meeting should reiterate the procedure of demanding a poll by shareholders at the relevant general meetings.</p> <p>To promote good board practices, we propose to restate the obligations of the chairman of the meeting to demand a poll under the existing Main Board Listing Agreements and GEM Rules³, in the Code of Best Practice.</p> | |
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| <p><u>Consultation Proposal B.1.5</u> We will amend the Rules to require issuers to publish the results of the poll on the business day following the meeting.</p> | Paragraph 167 |
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| Q2 | Do you agree with our proposal? | | | |
| | Agree | 54% | 89% | |
| | Agree, but publish the results of the poll on the website only. | 12% | 3% | |
| | Disagree | 34% | 8% | |

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| <p><u>Conclusion</u> We will adopt the Consultation Proposal.</p> | |
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| <p><u>Consultation Proposal B.1.6</u> 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.</p> | Paragraph 168 |
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| Q3 | Do you agree with our proposal? | | | |
| | Agree | 75% | 75% | |
| | Disagree | 25% | 25% | |

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| <p><u>Conclusion</u> We will adopt the Consultation Proposal.</p> | |
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³ Under paragraph 40(3) of Appendix 7A to the Main Board Rules and the GEM Rule 17.47, if the Chairman of the meeting and /or the directors individually or collectively hold proxies in respect of shares holding 5% or more of the total voting rights at the particular meeting, and if on a show of hands a meeting votes in the opposite manner to that instructed in those proxies, the Chairman and/or directors and the Chairman holding proxies as aforesaid collectively shall demand a poll; provided that if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands (because the votes represented by those proxies exceed 50%, 75% or any other relevant percentage, as the case may be, of the total issued share entitled to vote on the resolution in question,) then the directors and/or the Chairman shall not be required to demand a poll.

| Voting of “interested shareholders” in relation to very substantial acquisitions, very substantial disposals and major transactions | | | | |
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| <u>Consultation Proposal B.2.4</u> 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. | | | | Paragraphs 131 to 132 |
| Q4 | Do you agree with our proposal? | | | |
| | Agree | 43% | 43% | |
| | 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. | 57% | 57% | |
| <u>Conclusion</u> We will not adopt the Consultation Proposal. We will retain the existing Main Board Rules so that those shareholders that have a material interest in very substantial acquisitions, very substantial disposals and major transactions shall abstain from voting at the general meetings. We will also amend the GEM Rules to follow the Main Board Rules. | | | | |
| 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? | N/A | N/A | |
| <u>Conclusion</u> We will further elaborate what “material interest” normally refers to in the Rules. A person should be considered having a material interest in a transaction, if he or she has a direct interest in, or is a party to the transaction. There is no benchmark on materiality of an interest, and such interest is not meant to be necessarily quantifiable. | | | | |
| Voting of controlling shareholders | | | | |
| <u>Consultation Proposal B.3.9</u> 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). | | | | Paragraphs 118 to 120 and 124 to 125 |
| Q6 | Do your agree with our principle? | | | |
| | Agree | 56% | 56% | |
| | Agree, but controlling shareholders should also abstain from voting for some other resolutions. | 1% | 1% | |
| | Disagree – Controlling shareholders should be allowed to vote in all matters in which their interests are the same as other shareholders. | 37% | 37% | |
| | Disagree – Other views | 6% | 6% | |

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| 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 | 64% | 64% | |
| | Disagree | 36% | 36% | |
| <p>Conclusion We will adopt the Consultation Proposal.</p> <p>We will amend the Rules to allow controlling shareholders who will be required to abstain from voting at the general meetings approving transactions that require independent shareholders' approval, to vote against the resolutions.</p> | | | | |
| <p>Consultation Proposal B.3.10 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.</p> | | | | Paragraphs 121 to 122 and 124 to 125 |
| Q8 | Do you agree with our proposal? | | | |
| | Agree | 62% | 62% | |
| | Disagree – In the 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. | 28% | 28% | |
| | Disagree – Other views | 4% | 4% | |
| | Other views – In the 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. | 6% | 6% | |

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| <u>Conclusion</u> | | | | |
| <p>We will modify the Consultation Proposal so that in the exceptional circumstances (see paragraphs 118 to 120 of the Consultation Conclusion Report) where independent shareholders' approval is required and there are no controlling shareholders, all shareholders who participate in the management of the issuer (primarily directors and chief executive) and their associates, regardless of their shareholding interest in the issuer (instead of only those together having a controlling interest in the issuer), will be required to abstain from voting.</p> <p>We will amend the Rules to allow all shareholders who participate in the management of the issuer and their associates to vote against the resolutions if they are required to abstain from voting at the general meetings approving transactions that require independent shareholders' approval.</p> | | | | |
| <u>Consultation Proposal B.3.11</u> | | | | |
| <p>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:</p> <p>(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</p> <p>(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.</p> | | | | |
| Q9 | Do you agree with our proposal? | | | |
| | Agree | 60% | 60% | |
| | Disagree – In the 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. | 34% | 34% | |
| | Disagree – Other views | 6% | 6% | |

Paragraphs
123 to 125

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| Conclusion | | | | |
| <p>We will modify the Consultation Proposal so that in the exceptional circumstances (see paragraphs 118 to 120 of the Consultation Conclusion Report) which require independent shareholders' approval under the Rules, the Exchange reserves the right to require the following parties to abstain from voting at the general meetings approving the relevant resolutions:</p> <p>(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</p> <p>(b) where there are no controlling shareholders, all shareholders who participated in the management of the issuer (primarily directors and chief executive) at the time the decision for the transaction was made or when the transaction was approved by the board, and their associates, regardless of their shareholding interest in the issuer (instead of only those who together had a controlling interest in the issuer).</p> <p>We will amend the Rules to allow the former controlling shareholders and other relevant parties who will be required to abstain from voting at the general meetings approving transactions that require independent shareholders' approval, to vote against the resolutions.</p> | | | | |
| Waiver of requirement to hold general meetings | | | | |
| <p><u>Consultation Proposal B.4.7</u></p> <p>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:</p> <p>(a) the transactions do not involve issues of securities by the issuer or its subsidiaries;</p> <p>(b) no shareholder is required to abstain from voting if the issuer convenes a general meeting for the approval of the subject transactions; and</p> <p>(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.</p> | | | | Paragraph 169 |
| 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 | 72% | 72% |
| | | Agree, but waivers for holding a general meeting should also be granted in some other circumstances. | 22% | 22% |
| | | Disagree | 6% | 6% |

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| 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 | 88% | 88% |
| | | Disagree – Written shareholders' approval should not be accepted for connected transactions. | 4% | 4% |
| | | Disagree – Written shareholders' approval should not be accepted for major transactions. | 2% | 2% |
| | | Disagree – Written shareholders' approval should not be accepted, disregarding the nature of the subject resolution. | 2% | 2% |
| | Disagree – Other views | 4% | 4% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Consultation Proposal B.4.8 | | | | Paragraph 170 |
| 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 | 81% | 81% |
| | | Disagree | 19% | 19% |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| We will elaborate the meaning of “closely allied group of shareholders” in the Main Board Rules, based on the existing definition under the GEM Rules. | | | | |
| Dilution of shareholders' interest | | | | |
| Placing of shares using the general mandate | | | | |
| Consultation Proposal B.5.8 | | | | Paragraphs 32 to 47 |
| 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 – 20% limit | 83% | 20% |
| | | Disagree – No limit | 4% | 1% |
| | | Disagree – 5% limit | 3% | 1% |
| | | Disagree – 10% limit | 6% | 2% |
| | | Disagree – 15% limit | 0% | 0% |
| | | Disagree – Other views | 4% | 76% |

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| 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? | | | |
| | None | 15% | 15% | |
| | 1 time | 13% | 13% | |
| | 2 times | 9% | 9% | |
| | 3 times | 5% | 5% | |
| | Other | 5% | 5% | |
| | Unlimited | 53% | 53% | |
| 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 | 84% | 84% | |
| | Disagree | 16% | 16% | |
| Q16 | Do you agree to set a cumulative limit for the issue of securities in any rolling 3 year period? | | | |
| | Agree – 5% of issued share capital as at the date of commencement of any rolling 3 year period | 0% | 0% | |
| | Agree – 7.5% of issued share capital as at the date of commencement of any rolling 3 year period | 4% | 4% | |
| | Agree – 10% of issued share capital as at the date of commencement of any rolling 3 year period | 5% | 5% | |
| | Agree – Other suggestion/views | 14% | 14% | |
| | Disagree – Issue of securities should not be subject to any such cumulative limit. | 77% | 77% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal so that: | | | | |
| (a) issuers will be allowed to issue securities up to a maximum of 20% of the existing issued share capital under a general mandate; | | | | |
| (b) no restriction will be imposed on the number of refreshments of the general mandates; and | | | | |
| (c) Main Board issuers will be required to obtain independent shareholders' approval for any refreshments of the general mandate after the annual general meeting. GEM issuers will be required to obtain independent shareholders' approval for the second and subsequent refreshments of the general mandate after the annual general meeting. | | | | |

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| <p>Consultation Proposal B.5.9</p> <p>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:</p> <p>(a) the closing price on the date of signing of the placing agreement; or</p> <p>(b) the average closing price in the 5 trading days prior to the earlier of:</p> <p>(i) the date of announcement of placing;</p> <p>(ii) the date of placing agreement; or</p> <p>(iii) the date on which the placing price is fixed.</p> | | <p>Paragraphs 48 to 54</p> | | |
| 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 | 66% | 66% | |
| | Disagree – Suggest alternative basis of the benchmarked price | 10% | 10% | |
| | Disagree – No price restriction | 20% | 20% | |
| | Disagree with the proposed basis of the benchmarked price | 4% | 4% | |
| 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 | 59% | 14% | |
| | Disagree – The trigger discount level should be 3% or more to the benchmarked price. | 0% | 0% | |
| | Disagree – The trigger discount level should be 5% or more to the benchmarked price. | 1% | 0% | |
| | Disagree – The trigger discount level should be 10% or more to the benchmarked price. | 10% | 2% | |
| | Disagree – Other trigger discount level | 10% | 79% | |
| | Disagree – No price restriction | 20% | 5% | |

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| 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 | 58% | 58% |
| | | Disagree – 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. | 14% | 14% |
| | | Disagree – Specific independent shareholders' approval should be required, if an issuer issues securities at or above the trigger discount level. | 7% | 7% |
| | | Disagree – 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. | 19% | 19% |
| | Disagree – Other views | 2% | 2% | |
| <p><u>Conclusion</u> We will modify the Consultation Proposal so that issuers will be required to satisfy the Exchange that they are in a serious financial position and the only way they can be saved is by an urgent rescue operation, or there are other exceptional circumstances, if they issue securities under a general mandate at a discount of 20% or more to the proposed benchmarked price.</p> | | | | |
| <p><u>Consultation Proposal B.5.10</u> 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.</p> | | | | |
| | | | Paragraph 171 | |

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| Q20 | Do you agree with our proposal? | | | |
| | Agree | 63% | 63% | |
| | Agree, but have comments on the proposed disclosure requirement | 8% | 8% | |
| | Disagree – Additional disclosure should be required, irrespective of the discount. | 5% | 5% | |
| | Disagree – Additional disclosure should be required if the discount is 3% or more to the benchmarked price. | 0% | 0% | |
| | Disagree – Additional disclosure should be required if the discount is 5% or more to the benchmarked price. | 0% | 0% | |
| | Disagree – Additional disclosure should be required if the discount is 10% or more to the benchmarked price. | 3% | 3% | |
| | Disagree – Other views | 21% | 21% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| Placing and top-up subscription | | | | |
| <u>Consultation Proposal B.6.3</u> 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. | | | Paragraph 172 | |
| Q21 | Do you agree with our proposal? | | | |
| | Agree | 61% | 91% | |
| | Disagree – 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. | 33% | 8% | |
| | Disagree – Other views | 6% | 1% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.6.4</u> 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. | | | Paragraph 173 | |
| Q22 | Do you agree with our proposal? | | | |
| | Agree | 95% | 95% | |
| | Disagree | 5% | 5% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Rights issues and open offers | | | | |
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| <u>Consultation Proposal B.7.7</u> 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%. | | | | Paragraph 174 |
| Q23 | Do you agree with our proposal? | | | |
| | Agree | 65% | 65% | |
| | Disagree – 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%. | 6% | 6% | |
| | Disagree – 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%. | 29% | 29% | |
| 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. | 72% | 72% | |
| | 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. | 28% | 28% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

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| <u>Consultation Proposal B.7.8</u> | | | | Paragraph 175 |
| 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 | 89% | 89% | |
| | Disagree | 11% | 11% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.7.9</u> | | | | Paragraph 176 |
| 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 | 97% | 97% | |
| | Disagree | 3% | 3% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.7.10</u> | | | | Paragraph 177 |
| 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 | 95% | 95% | |
| | Disagree | 5% | 5% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |

| Exclusion of overseas shareholders from share offers | | | | |
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| <u>Consultation Proposal B.8.2</u> We will amend the Rules: | | | | Paragraph 178 |
| <p>(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;</p> <p>(b) to require issuers to include explanation(s) for exclusion of overseas shareholders from the share offers in the relevant offer document; and</p> <p>(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.</p> | | | | |
| Q28 | Do you agree with our proposal? | | | |
| | Agree | 81% | 81% | |
| | Disagree | 19% | 19% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal in principle. | | | | |
| Other matters affecting shareholders | | | | |
| Material changes in nature of business | | | | |
| <u>Consultation Proposal B.9.6</u> 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. | | | | Paragraph 179 |
| Q29 | Do you agree with our proposal? | | | |
| | Agree | 83% | 83% | |
| | Disagree | 17% | 17% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Share repurchases | | | | |
|---|--|-----|-----|---------------|
| Restriction on pricing and bidding | | | | |
| <u>Consultation Proposal B.10.4</u> 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. | | | | Paragraph 180 |
| 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 | 46% | 46% | |
| | Disagree – No price restriction should be imposed on share repurchase. | 39% | 39% | |
| | Disagree – Other views | 15% | 15% | |
| 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 | 65% | 65% | |
| | Disagree – The basis of the benchmarked prices should be the average closing market price over the preceding trading day. | 24% | 24% | |
| | Disagree – The basis of the benchmarked prices should be the average closing market price over the preceding 10 trading days. | 3% | 3% | |
| | Disagree – The basis of the benchmarked prices should be the average closing market price over the preceding 20 trading days. | 0% | 0% | |
| | Disagree – The basis of the benchmarked prices should be the average closing market price over the preceding 30 trading days. | 5% | 5% | |
| | Disagree – Suggest alternative benchmark for pricing restriction. | 3% | 3% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Dealing restrictions | | | | |
| <u>Consultation Proposal B.11.2</u> 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. | | | | Paragraph 181 |
| Q32 | Do you agree with our proposal? | | | |
| | Agree | 88% | 88% | |
| | Disagree | 12% | 12% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |

| 25% monthly share repurchase restriction | | | | |
|---|---|-----|-----|---------------|
| <u>Consultation Proposal B.12.3</u> We will abolish the 25% monthly share repurchase restriction under the Main Board Rules. | | | | Paragraph 182 |
| Q33 | Do you agree with our proposal? | | | |
| | Agree | 97% | 97% | |
| | Disagree | 3% | 3% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| Withdrawal of primary listing on the Exchange | | | | |
| <u>Consultation Proposal B.13.5</u> 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. | | | | Paragraph 183 |
| Q34 | Do you agree with our proposal? | | | |
| | Agree | 90% | 90% | |
| | Disagree | 10% | 10% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| Withdrawal of secondary listing on the Exchange | | | | |
| <u>Consultation Proposal B.14.2</u> 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. | | | | Paragraph 184 |
| Q35 | Do you agree with our proposal? | | | |
| | Agree | 84% | 84% | |
| | Agree, except for the notice period. | 9% | 9% | |
| | Disagree – Voluntary withdrawal of secondary listing on the Exchange should be subject to independent shareholders' approval. | 7% | 7% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |

| Notifiable transactions other than connected transactions | | | | |
|---|---------------------------------|-----|-----|---------------|
| Very substantial acquisitions | | | | |
| <u>Consultation Proposal B.15.6</u> 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. | | | | Paragraph 185 |
| Q36 | Do you agree with our proposal? | | | |
| | Agree | 77% | 77% | |
| | Disagree | 23% | 23% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.15.7</u> 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 takeover situation may be granted. | | | | Paragraph 186 |
| Q37 | Do you agree with our proposal? | | | |
| | Agree | 93% | 93% | |
| | Disagree | 7% | 7% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.15.8</u> 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. | | | | Paragraph 187 |
| Q38 | Do you agree with our proposal? | | | |
| | Agree | 97% | 97% | |
| | Disagree | 3% | 3% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.15.9</u> We will also amend the Main Board Rules so that no written certificate of shareholders' approval shall be accepted for very substantial acquisitions. | | | | Paragraph 188 |
| Q39 | Do you agree with our proposal? | | | |
| | Agree | 55% | 55% | |
| | Disagree | 45% | 45% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Introduction of “very substantial disposals” | | | | |
|--|---|-----|-----|---------------|
| <u>Consultation Proposal B.16.4</u> 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. | | | | Paragraph 189 |
| Q40 | Do you agree with our proposal? | | | |
| | Agree with our proposal to introduce “very substantial disposals” as a new type of transactions. | 68% | 92% | |
| | Disagree | 32% | 8% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.16.5</u> 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. | | | | Paragraph 190 |
| Q41 | Do you agree with our proposal? | | | |
| | Agree | 84% | 84% | |
| | Disagree – Independent shareholders’ approval should be required for all very substantial disposals. | 5% | 5% | |
| | Disagree – Other views | 11% | 11% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.16.6</u> No written certificate of shareholders' approval shall be accepted for very substantial disposals. | | | | Paragraph 191 |
| Q42 | Do you agree with our proposal? | | | |
| | Agree | 50% | 50% | |
| | Disagree – Written certificate of shareholders’ approval should be accepted for very substantial disposals. | 40% | 40% | |
| | Disagree – Because do not support introduction of “very substantial disposals”. | 10% | 10% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |

| Reverse takeovers | | | | |
|---|--|-----|-----|------------------|
| <u>Consultation Proposal B.17.6</u> 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. | | | | Paragraph 133 |
| Q43 | Do you agree with our proposal? | | | |
| | Agree | 83% | 83% | |
| | Disagree | 17% | 17% | |
| <u>Conclusion</u> We will modify the Consultation Proposal so that the definition of "reverse takeover" will only extend to a fundamental change of issuers' principal lines of businesses. | | | | |
| <u>Consultation Proposal B.17.7</u> 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. | | | | Paragraph 192 |
| Q44 | Do you agree with our proposal? | | | |
| | Agree | 98% | 98% | |
| | Disagree – 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. | 2% | 2% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.17.8</u> No written certificate of shareholders' approval shall be accepted for reverse takeovers. | | | | Paragraph 193 |
| Q45 | Do you agree with our proposal? | | | |
| | Agree | 57% | 57% | |
| | Disagree | 43% | 43% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.17.9</u> 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. | | | | Paragraph 194 |
| Q46 | Do you agree with our proposal? | | | |
| | Agree | 69% | 69% | |
| | Disagree | 31% | 31% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Introduction of “total assets test” and “turnover test” | | | | |
|---|--|-----|-----|---------------------|
| <u>Consultation Proposal B.18.4</u> 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. | | | | Paragraphs 55 to 63 |
| Q47 | Do you agree with our proposal? | | | |
| | Agree with our proposal to adopt the "total assets test" (with or without comments on the definition of “total assets”). | 56% | 88% | |
| | Disagree – The existing “assets test” using net assets as the basis of calculation should be retained. | 24% | 6% | |
| | Disagree – Other views | 20% | 6% | |
| <u>Conclusion</u> We will modify the Consultation Proposal and retain the “net assets test” as the norm. However, issuers will be allowed to elect to use total assets as the basis for their “assets test” and later to revert to the norm “net assets test”, subject to proper disclosure of their decisions to the Exchange and the market. They must have valid reasons for their election to use the “total assets test” and reverting to the norm “net assets test”. We will adopt the proposed definition of “total assets” in the Consultation Paper for the “total assets test”. Issuers that have elected to use total assets for their “assets test” calculation shall use the same asset basis for their “consideration test”, de minimis provisions for connected transactions and other provisions of the Rules that have reference to “net tangible assets” or “net assets”. | | | | |
| <u>Conclusion B.18.5</u> 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. | | | | Paragraph 195 |
| Q48. | Do you agree with our proposal? | | | |
| | Agree | 80% | 80% | |
| | Disagree – “Turnover test” should be an additional standalone test, rather than a substitute test for the “profit test”. | 3% | 3% | |
| | Disagree – “Turnover test” should not be used as a test for classification of notifiable transactions. | 11% | 11% | |
| | Disagree – Other views | 6% | 6% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| | | | | | |
|---|---|-----|-----|---------------------|--|
| <u>Consultation Proposal B.18.6</u> | | | | Paragraph 63 | |
| 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 (with or without comments on the definition of "total assets") | 65% | 91% | | |
| | Disagree – The existing "consideration test" using net assets as the basis of calculation should be retained. | 18% | 4% | | |
| | Disagree – Other views | 17% | 5% | | |
| Conclusion | | | | | |
| We will modify the Consultation Proposal so that issuers that have elected to adopt the "total assets test" shall use the total asset value as the denominator for their "consideration test", while issuers that have elected to retain the "net assets test" shall use the net tangible asset value as the denominator for their "consideration test". | | | | | |
| New thresholds for notifiable transactions | | | | | |
| <u>Consultation Proposal B.19.6(a)</u> | | | | Paragraphs 64 to 73 | |
| 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 | 45% | 45% | | |
| | Disagree – 10% | 4% | 4% | | |
| | Disagree – 15% or the existing threshold | 36% | 36% | | |
| | Disagree – Other thresholds | 2% | 2% | | |
| | Disagree – Other views | 13% | 13% | | |
| Conclusion | | | | | |
| We will adopt the proposed threshold of 5% for classifying share transactions using the "total assets test" and retain the existing threshold of 15% for classifying share transactions using the "net assets test", "profits test", "turnover test" and "equity test". Issuers will be required to adopt the thresholds they have used for classifying transactions using the elected "assets test", for their "consideration test". | | | | | |
| <u>Consultation Proposal B.19.6(b)</u> | | | | Paragraphs 64 to 73 | |
| (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 | 40% | 84% | | |
| | Disagree – 15% to less than 50% or the existing threshold | 34% | 10% | | |
| | Disagree – Other thresholds | 10% | 2% | | |
| | Disagree – Other views | 16% | 4% | | |

| | | | | |
|--|--|-----|-----|------------|
| Conclusion | | | | |
| We will adopt the proposed threshold (5% – 25%) for classifying discloseable transactions using the “total assets test” and retain the existing threshold (15% -50%) for classifying discloseable transactions using the “net assets test”, “profits test”, “turnover test” and “equity test”. Issuers will be required to adopt the thresholds they have used for classifying transactions using the elected “assets test”, for their “consideration test”. | | | | |
| Consultation Proposal B.19.6(c) | | | | Paragraphs |
| (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. | | | | 64 to 73 |
| Q52 | Do you agree with our proposal? | | | |
| | Agree | 50% | 87% | |
| | Disagree – 50% to less than 100% or the existing threshold | 38% | 10% | |
| | Disagree – Other views | 12% | 3% | |
| Conclusion | | | | |
| We will adopt the proposed threshold (25% – 100% for acquisition transactions and 25% – 75% for disposal transactions) for classifying major transactions using the “total assets test”. We will adopt a new threshold (50% – 150% for acquisition transactions and 50% – 75% for disposal transactions) for classifying major transactions using the “net assets test”. We will also adopt the modified threshold (50%-100% for acquisition transactions and 50%-75% for disposal transactions) for classifying major transactions under the “profits test”, “turnover test” and “equity test”. Issuers will be required to adopt the thresholds they have used for classifying transactions using the elected “assets test”, for their “consideration test”. | | | | |
| Consultation Proposal B.19.6(d) | | | | Paragraphs |
| (d) Very substantial acquisition – an acquisition where any of the percentage ratios is 100% or more. | | | | 64 to 73 |
| Q53 | Do you agree with our proposal? | | | |
| | Agree | 79% | 95% | |
| | Disagree – 50% | 1% | 0% | |
| | Disagree – Retaining the existing thresholds | 6% | 2% | |
| | Disagree – Other views | 14% | 3% | |
| Conclusion | | | | |
| We will adopt the proposed threshold of 100% for classifying very substantial acquisitions using the “total assets test”, “profits test”, “turnover test” and “equity test”. We will adopt a new threshold of 150% for classifying very substantial acquisitions using the “net assets test”. Issuers will be required to adopt the thresholds they have used for classifying transactions using the elected “assets test”, for their “consideration test”. | | | | |
| Consultation Proposal B.19.6(e) | | | | Paragraphs |
| (e) Very substantial disposal – a disposal where any of the percentage ratios is 75% or more. | | | | 64 to 73 |

| | | | | |
|---|--|-----|-----|-----------------------|
| Q54 | Do you agree with our proposal? | | | |
| | Agree | 65% | 16% | |
| | Disagree – 33% | 1% | 0% | |
| | Disagree – 50% | 1% | 76% | |
| | Disagree – 100% | 2% | 0% | |
| | Disagree – Do not support introduction of “very substantial disposals” | 27% | 7% | |
| | Disagree – Other views | 4% | 1% | |
| Conclusion | | | | |
| We will adopt the proposed threshold of 75% for classifying very substantial disposals using the all size tests under the Rules. | | | | |
| Valuation of properties | | | | |
| <u>Consultation Proposal B.20.4</u> | | | | Paragraphs 250 to 251 |
| 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 | 45% | 45% | |
| | Disagree | 55% | 55% | |
| Conclusion | | | | |
| We will not adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.20.5</u> | | | | Paragraphs 134 to 135 |
| 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 the proposal? | | | |
| | Agree | 87% | 87% | |
| | Disagree | 13% | 13% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal so that where an issuer will assume repayment obligations for the outstanding mortgages or loans, such outstanding amounts will be aggregated to the consideration for the numerator of the “assets test”. | | | | |
| We will extend the proposed requirement (as modified) to shipping and aircraft companies. | | | | |
| <u>Consultation Proposal B.20.6</u> | | | | Paragraph 72 |
| 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 the proposal? | | | |
| | Agree | 57% | 57% | |
| | Disagree | 43% | 43% | |

| | | | | |
|---|---------------------------------|--|-----|--------------------------|
| Conclusion | | | | |
| We will modify the threshold for requiring valuation reports to follow the major transaction thresholds under the Rules. | | | | |
| Asset valuation | | | | |
| <u>Consultation Proposal B.21.2</u> | | | | Paragraphs 196 to 197 |
| 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 the proposal? | | | |
| | | Agree | 39% | 39% |
| | | Disagree – 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. | 15% | 15% |
| | | Disagree – 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. | 40% | 40% |
| | Disagree – Other views | 6% | 6% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Options granted by issuers | | | | |
| <u>Consultation Proposal B.22.4</u> | | | | Paragraph 198 |
| 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 | 73% | 73% |
| | | Disagree | 27% | 27% |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.22.5</u> | | | | Paragraph 199 |
| 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 | 66% | 66% |
| | | Disagree | 34% | 34% |

| | | | | |
|--|--|-----|-----|---------------------|
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Dilution of interest in subsidiaries resulting in deemed disposals | | | | |
| <u>Consultation Proposal B.23.2</u> 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. | | | | Paragraph 200 |
| Q61 | Do you agree with our proposal? | | | |
| | Agree | 76% | 76% | |
| | Disagree | 24% | 24% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Connected transactions | | | | |
| Definition of "connected persons" | | | | |
| <u>Consultation Proposal B.24.7</u> 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. | | | | Paragraph 201 |
| Q62 | Do you agree with our proposal? | | | |
| | Agree | 66% | 66% | |
| | Disagree – 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. | 30% | 30% | |
| | Disagree – Other views | 4% | 4% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.24.8</u> 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. | | | | Paragraphs 81 to 89 |
| Q63 | Do you agree with our proposal? | | | |
| | Agree | 42% | 42% | |
| | Disagree | 58% | 58% | |
| <u>Conclusion</u> | | | | |
| We will not adopt the Consultation Proposal. | | | | |
| Definition of "associate" | | | | |
| <u>Consultation Proposal B.25.6</u> We will retain the existing definition of "associate" in the Rules. | | | | Paragraphs 74 to 80 |

| | | | | |
|---|--|---|-----------------------|----------------|
| Q64 | Do you agree with our proposal? | | | |
| | Agree | | 85% | 20% |
| | Disagree | | 15% | 80% |
| | The definition of "associate" should be extended to cover the following parties: | | Number of respondents | |
| | | | A ¹ | B ² |
| | (a) 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; | | 9 | 345 |
| | (b) 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; | | 6 | 6 |
| | (c) 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; | | 6 | 6 |
| | (d) persons with controlling interests in companies that are controlled by a director, chief executive or substantial shareholder and other companies controlled by these persons; | | 6 | 6 |
| | (e) 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 | | 3 | 3 |
| (f) any other individuals or companies you think are appropriate to be included in the definition of "associate". | | 2 | 338 | |

| | | | | |
|--|--|-----|-----|---------------------|
| <u>Conclusion</u> | | | | |
| We consider it necessary to further study and review the definition of “associate” under the Rules. We will retain the existing definition of “associate” for the time being. | | | | |
| Transactions between connected persons and associated companies | | | | |
| <u>Consultation Proposal B.26.9</u> | | | | Paragraphs 81 to 89 |
| 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 the proposal? | | | |
| | Agree | 32% | 83% | |
| | Disagree – 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. | 54% | 13% | |
| | Disagree – Other views | 14% | 4% | |
| <u>Conclusion</u> | | | | |
| We will not adopt the Consultation Proposal. | | | | |
| Transactions with non wholly owned subsidiaries | | | | |
| <u>Consultation Proposal B.27.4</u> | | | | Paragraph 202 |
| 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 | 95% | 95% | |
| | Disagree | 5% | 5% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |

| De minimis thresholds for connected transactions | | | | |
|---|---|-----|---------------------|--|
| Consultation Proposal B.28.2(a) | | | Paragraphs 64 to 73 | |
| <p>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:</p> <p>(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:</p> <p>(i) HK\$1,000,000; or</p> <p>(ii) 0.01% of the total assets of the issuer.</p> | | | | |
| Q67 | Do you agree with the proposal? | | | |
| | Agree | 44% | 11% | |
| | Disagree – Retain the existing threshold | 5% | 1% | |
| | Disagree – 0.03% of total assets | 10% | 2% | |
| | Disagree – Other thresholds | 16% | 78% | |
| | Disagree – Do not support adoption of the “total assets test” | 12% | 4% | |
| | Disagree – Other views | 13% | 4% | |
| Conclusion | | | | |
| <p>We will adopt the proposed de minimis threshold (HK\$1 million and 0.01% of total assets) for issuers that have elected to use the “total assets test”, and retain the existing threshold (HK\$1 million and 0.03% of net tangible assets) for issuers that remain to adopt the “net assets test”, for connected transactions that are exempt from the disclosure, reporting and shareholders’ approval requirements.</p> | | | | |
| Consultation Proposal B.28.2(b) | | | Paragraphs 64 to 73 | |
| <p>(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:</p> <p>(i) HK\$10,000,000; or</p> <p>(ii) 1% of the total assets of the issuer.</p> | | | | |
| Q68 | Do you agree with the proposal? | | | |
| | Agree | 53% | 13% | |
| | Disagree – Retain the existing threshold | 5% | 1% | |
| | Disagree – 3% of total assets | 11% | 3% | |
| | Disagree – Other thresholds | 8% | 77% | |
| | Disagree – Do not support adoption of “the total assets test” | 10% | 2% | |
| | Disagree – Other views | 13% | 4% | |
| Conclusion | | | | |
| <p>We will adopt the proposed de minimis threshold (HK\$10 million and 1% of total assets) for issuers that have elected to use the “total assets test”, and retain the existing threshold (HK\$10 million and 3% of net tangible assets) for issuers that remain to adopt the “net assets test”, for connected transactions that are exempt from the shareholders’ approval requirement.</p> | | | | |

| Continuing connected transactions | | | | |
|--|---|-----|-----|---------------------|
| <u>Consultation Proposal B.29.4</u> We will amend to the Main Board Rules to introduce a new category of "continuing connected transactions". | | | | Paragraph 203 |
| Q69 | Do you agree with the proposal? | | | |
| | Agree | 81% | 81% | |
| | Disagree | 19% | 19% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.29.5(a)</u> 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. | | | | Paragraphs 64 to 73 |
| Q70 | Do you agree with our proposal? | | | |
| | Agree | 50% | 50% | |
| | Disagree – Retain the existing threshold | 7% | 7% | |
| | Disagree – 0.03% of total assets | 8% | 8% | |
| | Disagree – Other thresholds | 17% | 17% | |
| | Disagree – Do not support adoption of the “total assets test” | 4% | 4% | |
| | Disagree – Other views | 14% | 14% | |
| Conclusion We will adopt the proposed de minimis threshold (HK\$1 million and 0.01% of total assets) for issuers that have elected to use the “total assets test”, and retain the existing threshold (HK\$1 million and 0.03% of net tangible assets) for issuers which remain to use the “net assets test”, for continuing connected transactions that are exempt from the disclosure, reporting and shareholders’ approval requirements. | | | | |
| <u>Consultation Proposal B.29.5(b)</u> (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. | | | | Paragraphs 64 to 73 |
| Q71 | Do you agree with our proposal? | | | |
| | Agree | 49% | 49% | |
| | Disagree – Retain the existing threshold | 6% | 6% | |
| | Disagree – 3% of total assets | 9% | 9% | |
| | Disagree – Other thresholds | 16% | 16% | |
| | Disagree – Do not support adoption of the “total assets test” | 4% | 4% | |
| | Disagree – Other views | 16% | 16% | |

| | | | | |
|---|---|-----|-----|---------------------|
| Conclusion | | | | |
| We will adopt the proposed de minimis threshold (HK\$10 million and 1% of total assets) for issuers which have elected to use the “total assets test”, and retain the existing threshold (HK\$10 million and 3% of net tangible assets) for issuers which have retained the “net assets test”, for continuing connected transactions that are exempt from the shareholders’ approval requirement. | | | | |
| Consultation Proposal B.29.5(c) | | | | Paragraphs 64 to 73 |
| (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 Consultation Proposal 29.5(b). 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 | 77% | 77% | |
| | Disagree | 23% | 23% | |
| Conclusion | | | | |
| See our conclusion on Consultation Proposals B.29.5(a) and (b). | | | | |
| Consultation Proposal B.29.6 | | | | Paragraph 136 |
| We will amend the Main Board Rules so that issuers proposing to enter into continuing connected transactions falling under thresholds set out in Consultation Proposal B.29.5(b) or 29.5(c) 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 | 46% | 46% | |
| | Disagree – Item (a) should not apply | 16% | 16% | |
| | Disagree – Item (b) should not apply | 10% | 10% | |
| | Disagree – Items (a) and (b) should not apply | 8% | 8% | |
| | Disagree – Other views | 20% | 20% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal except the annual cap amount (as stated in item (b) above) need not be subject to the Exchange’s approval. However, issuers will be required to disclose the basis of such maximum aggregate annual value to the market. Any maximum aggregate annual cap amount that exceeds the de minimis thresholds under the Rules shall be subject to the relevant reporting, announcement and/or shareholders’ approval requirements. The GEM Rules will be amended accordingly. | | | | |

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| <u>Consultation Proposal B.29.7</u> | | | | Paragraph 204 | |
| 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 | 81% | 81% | | |
| | Disagree | 19% | 19% | | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | | |
| <u>Consultation Proposal B.29.8</u> | | | | Paragraph 205 | |
| 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 | 94% | 94% | | |
| | Disagree | 6% | 6% | | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | | |
| <u>Consultation Proposal B.29.9</u> | | | | Paragraph 137 | |
| 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 | 66% | 66% | | |
| | Disagree | 34% | 34% | | |
| <u>Conclusion</u> We will modify the Consultation Proposal to require issuers to disclose such continuing transaction only when the connection is as a result of the issuers' corporate actions including appointment of directors. Such transaction shall be subject to the applicable connected transaction Rules if there are any subsequent variations to or renewal of the existing agreements. | | | | | |
| Meaning of "subsidiary" | | | | | |
| <u>Consultation Proposal B.30.10</u> | | | | Paragraph 138 | |
| 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 | 78% | 78% | | |
| | Disagree | 22% | 22% | | |

| | | | | |
|--|---------------------------------|-----|-----|-----------------------|
| Conclusion | | | | |
| We will modify the Consultation Proposal and extend the definition of “subsidiary” to an entity which is consolidated in the audited consolidated accounts of an issuer under the applicable SSAP or IAS. For avoidance of doubt, a subsidiary that is not consolidated in the issuer’s audited consolidated account due to the legal constraint as explained in SSAP 32 will not be included in the expanded definition of “subsidiary”. | | | | |
| Disposal of controlling shareholders’ interest | | | | |
| Commencement of lock-up period | | | | |
| <u>Consultation Proposal B.31.3</u> | | | | Paragraphs 139 to 140 |
| 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 | 91% | 20% | |
| | Disagree | 9% | 80% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal so that the lock-up period for disposal of interests by controlling shareholders of Main Board issuers and significant shareholders and initial management shareholders of GEM issuers shall commence from the latest practicable date of the listing document, rather than from the issue date of the listing document as proposed in the Consultation Paper. There will be no amendments to the expiry date of the respective lock-up period as prescribed under the existing Rules. | | | | |
| Offer for sale as disclosed in a listing document will be allowed during the period from the latest practicable date of the listing document to the date of listing. | | | | |
| Agreement for disposal of shares | | | | |
| <u>Consultation Proposal B.32.2</u> | | | | Paragraph 206 |
| 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 | 92% | 92% | |
| | Disagree | 8% | 8% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal B.32.3</u> | | | | Paragraph 207 |
| 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 | 99% | 99% | |
| | Disagree | 1% | 1% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Deemed disposal of controlling shareholders' interests | | | | |
| <u>Consultation Proposal B.33.5</u> 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: <ul style="list-style-type: none"> (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. | | | | Paragraph 208 |
| Q81 | Do you agree with our proposal? | | | |
| | Agree | 91% | 91% | |
| | Disagree | 9% | 9% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal. | | | | |
| Part C – Directors and board practices | | | | |
| Independent non-executive directors (“INEDs”) | | | | |
| Further guidance regarding independence | | | | |
| <u>Consultation Proposal C.1.4(a)</u> 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: <ul style="list-style-type: none"> (a) holds more than 5% of any class of the issuer's issued share capital. | | | | Paragraph 141 |
| Q82 | Do you agree with our proposal? | | | |
| | Agree | 67% | 67% | |
| | Disagree – No restriction should be imposed on INED's holding of securities of the issuer. | 4% | 4% | |
| | Disagree – Shareholding limit of 1% | 16% | 16% | |
| | Disagree – Shareholding limit of 2% | 3% | 3% | |
| | Disagree – Shareholding limit of 3% | 4% | 4% | |
| | Disagree – Shareholding limit of 4% | 0% | 0% | |
| | Disagree – Other shareholding limit | 3% | 3% | |
| | Disagree – Other views | 3% | 3% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal and retain the existing threshold of 1%. | | | | |

| | | | | |
|---|--|-----|-----|---------------|
| <u>Consultation Proposal C.1.4(b)</u> | | | | Paragraph 141 |
| (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 | 66% | 66% | |
| | Disagree – Shareholding limit of 1% | 15% | 15% | |
| | Disagree – Shareholding limit of 2% | 2% | 2% | |
| | Disagree – Shareholding limit of 3% | 4% | 4% | |
| | Disagree – Shareholding limit of 4% | 0% | 0% | |
| | Disagree – Other shareholding limit | 4% | 4% | |
| | Disagree – Other views | 9% | 9% | |
| <u>Conclusion</u> | | | | |
| We will modify the Consultation Proposal and retain the existing threshold of 1%. | | | | |
| <u>Consultation Proposal C.1.4(c)</u> | | | | Paragraph 142 |
| (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 | 39% | 39% | |
| | Disagree – Restriction period of 1 year | 19% | 19% | |
| | Disagree – Restriction period of 3 years | 2% | 2% | |
| | Disagree – Restriction period of 4 years | 1% | 1% | |
| | Disagree – Restriction period of 5 years | 2% | 2% | |
| | Disagree – Other restriction period | 1% | 1% | |
| | Disagree – Other views | 36% | 36% | |
| <u>Conclusion</u> | | | | |
| We will modify the Consultation Proposal and reduce the cooling-off period to 1 year. | | | | |
| <u>Consultation Proposal C.1.4(d)</u> | | | | Paragraph 209 |
| (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 | 79% | 79% | |
| | Disagree | 21% | 21% | |

| | | | | |
|---|--|-----|-----|------------------|
| Conclusion We will adopt the Consultation Proposal. | | | | |
| Consultation Proposal C.1.4(e) (e) owes allegiance to a particular shareholder or group of shareholders. | | | | Paragraph 143 |
| Q86 | Do you agree with our proposal? | | | |
| | Agree | 62% | 62% | |
| | Disagree | 38% | 38% | |
| Conclusion We will modify the Consultation Proposal and specify that such “a particular shareholder or group of shareholders” will normally refer to a substantial shareholder of the issuer. | | | | |
| Consultation Proposal C.1.4(f) (f) is on the board specifically to protect the interests of certain parties whose interests are not the same as shareholders as a whole. | | | | Paragraph 209 |
| Q87 | Do you agree with our proposal? | | | |
| | Agree | 89% | 89% | |
| | Disagree | 11% | 11% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| Consultation Proposal C.1.4(g) (g) is or was connected to a director, the chief executive or substantial shareholder of the issuer within the preceding 2 years. | | | | Paragraph 209 |
| Q88 | Do you agree with our proposal? | | | |
| | Agree | 49% | 49% | |
| | Disagree – Restriction period of 1 year | 25% | 25% | |
| | Disagree – Restriction period of 3 years | 2% | 2% | |
| | Disagree – Restriction period of 4 years | 0% | 0% | |
| | Disagree – Restriction period of 5 years | 2% | 2% | |
| | Disagree – Other restriction period | 1% | 1% | |
| | Disagree – Other views | 21% | 21% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |
| Consultation Proposal C.1.4(h) (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. | | | | Paragraph 209 |
| Q89 | Do you agree with our proposal? | | | |
| | Agree | 55% | 55% | |
| | Disagree – Restriction period of 1 year | 26% | 26% | |
| | Disagree – Restriction period of 3 years | 3% | 3% | |
| | Disagree – Restriction period of 4 years | 0% | 0% | |
| | Disagree – Restriction period of 5 years | 2% | 2% | |
| | Disagree – Other restriction period | 2% | 2% | |
| | Disagree – Other views | 12% | 12% | |

| | | | | |
|--|--|-----|-----|--|
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.1.4(i)</u> (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. | | | | |
| Paragraph 144 | | | | |
| Q90 | Do you agree with our proposal? | | | |
| | Agree | 64% | 64% | |
| | Disagree | 36% | 36% | |
| <u>Conclusion</u> We will modify the Consultation Proposal and provide in the Code of Best Practice that INEDs should maintain their financial independence of the issuer, its holding company or their respective subsidiaries, as a minimum standard of board practices. | | | | |
| <u>Consultation Proposal C.1.5</u> 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. | | | | |
| Paragraph 210 | | | | |
| Q91 | Do you agree with our proposal? | | | |
| | Agree | 93% | 93% | |
| | Disagree | 7% | 7% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Qualifications of INEDs</u> | | | | |
| <u>Consultation Proposal C.2.3</u> We will amend the Rules to require issuers to appoint at least 1 INED who has appropriate professional qualifications or experience in financial matters. | | | | |
| Paragraph 211 | | | | |
| Q92 | Do you agree with our proposal? | | | |
| | Agree | 60% | 60% | |
| | Disagree | 40% | 40% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Minimum number of INEDs</u> | | | | |
| <u>Consultation Proposal C.3.5</u> 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. | | | | |
| Paragraphs 90 to 97 | | | | |
| Q93 | Do you agree with our proposal? | | | |
| | Agree | 38% | 82% | |
| | Disagree – There should be no requirement for the minimum number of INEDs. | 2% | 1% | |
| | Disagree – The existing minimum requirement of 2 INEDs under the Rules should be retained. | 40% | 12% | |
| | Disagree – Other views | 20% | 5% | |

| | | | | |
|---|---|-----|-----|---------------|
| 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 | 7% | 7% | |
| | 12 months | 38% | 38% | |
| | 18 months | 9% | 9% | |
| | 24 months | 32% | 32% | |
| | Other period | 14% | 14% | |
| <p>Conclusion We will modify the Consultation Proposal and require issuers to appoint at least three INEDs.</p> <p>We will recommend in the Code of Best Practice as a recommended good practice (see our conclusion on Consultation Proposal C.5.3) that issuers should appoint INEDs representing one-third of the members of the board. The “one-third” should be “rounded down” to the nearest whole number.</p> <p>We will allow a transitional period of one year for issuers to comply with the new requirement for the minimum number of INEDs.</p> | | | | |
| <p>Consultation Proposal C.3.6 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.</p> | | | | Paragraph 212 |
| Q95 | Do you agree with our proposal? | | | |
| | Agree | 71% | 71% | |
| | Disagree | 29% | 29% | |
| <p>Conclusion We will adopt the Consultation Proposal.</p> | | | | |
| <p>Consultation Proposal C.3.7 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.</p> | | | | Paragraph 213 |
| Q96 | Do you agree with our proposal? | | | |
| | Agree | 66% | 66% | |
| | Disagree | 34% | 34% | |
| <p>Conclusion We will adopt the Consultation Proposal.</p> | | | | |

| Independent board committees | | | | |
|---|---------------------------------|-----|-----|------------------|
| <u>Consultation Proposal C.4.4</u> 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. | | | | Paragraph 214 |
| Q97 | Do you agree with our proposal? | | | |
| | Agree | 83% | 83% | |
| | Disagree | 17% | 17% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.4.5</u> 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. | | | | Paragraph 215 |
| Q98 | Do you agree with our proposal? | | | |
| | Agree | 83% | 83% | |
| | Disagree | 17% | 17% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.4.6</u> 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. | | | | Paragraph 216 |
| Q99 | Do you agree with our proposal? | | | |
| | Agree | 85% | 85% | |
| | Disagree | 15% | 15% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Board Practices | | | | |
|---|---|-----|-----|--------------------------|
| Code of Best Practices | | | | |
| <u>Consultation Proposal C.5.3</u> 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. | | | | Paragraphs 126 to 129 |
| Q100 | Do you agree with our proposal? | | | |
| | Agree | 84% | 84% | |
| | Disagree – Compliance with the Code of Best Practice should be made mandatory. | 7% | 7% | |
| | Disagree – Issuers should not be required to disclose any deviation from the minimum standard in the Code of Best Practice in their annual reports. | 5% | 5% | |
| | Disagree – Other views | 4% | 4% | |
| Conclusion We will modify the Consultation Proposal and include two tiers of recommended board practices in the Code of Best Practice. The first tier will contain minimum standards of board practices. Issuers will be required to disclose any deviation from the minimum standards in their report on corporate governance. The second tier will be recommended good practices, serving as guidelines for issuers’ reference. Issuers that have not adopted the recommended good practices will not be required to disclose such deviation in their report on corporate governance. | | | | |
| <u>Consultation Proposal C.5.4</u> 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. | | | | Paragraph 217 |
| Q101 | Do you agree with our proposal? | | | |
| | Agree | 75% | 75% | |
| | Disagree | 25% | 25% | |
| Conclusion We will adopt the Consultation Proposal. | | | | |

| Report on corporate governance | | | | |
|---|---|-----|-----|--------------------------|
| <u>Consultation Proposal C.6.3</u> 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. | | | | Paragraphs 126 to 129 |
| Q102 | Do you agree with our proposal? | | | |
| | Agree | 54% | 54% | |
| | Agree, but the report on corporate governance should also include certain additional item(s). | 8% | 8% | |
| | Agree, but the report on corporate governance should exclude certain proposed disclosure item(s). | 13% | 13% | |
| | Disagree | 25% | 25% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal in principle. Issuers will be required to include a report on corporate governance in their annual reports. They shall disclose any deviation from the minimum standards as set out in the Code of Best Practice, in their report on corporate governance. See our conclusion on Consultation Proposal C.5.3. | | | | |
| Establishment of governance committees | | | | |
| Audit committee | | | | |
| <u>Consultation Proposal C.7.3</u> We will amend the Main Board Rules to follow the GEM Rules so that establishing an audit committee shall become a compulsory requirement. | | | | Paragraph 218 |
| Q103 | Do you agree with our proposal? | | | |
| | Agree | 92% | 92% | |
| | Disagree | 8% | 8% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.7.4</u> We will amend the Rules to require the audit committee to comprise at least 3 non-executive directors with a majority of INEDs. | | | | Paragraph 219 |
| Q104 | Do you agree with our proposal? | | | |
| | Agree | 58% | 58% | |
| | Disagree | 42% | 42% | |

| | | | | |
|--|--|-----|-----|---------------|
| Q105 | Do you agree that the chairman of the audit committee should be an INED? | | | |
| | Agree | 86% | 86% | |
| | Disagree | 14% | 14% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. The chairman of the audit committee shall be an INED. | | | | |
| <u>Consultation Proposal C.7.5</u> We will amend the Rules to require the audit committee to have at least one committee member with appropriate qualifications or experience in financial reporting, if the proposal of appointment of at least one INED who has appropriate professional qualifications or experience in financial matters is adopted. | | | | Paragraph 220 |
| Q106 | Do you agree with our proposal? | | | |
| | Agree | 69% | 69% | |
| | Disagree | 31% | 31% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.7.6</u> 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. | | | | Paragraph 221 |
| Q107 | Do you agree with our proposal? | | | |
| | Agree | 68% | 68% | |
| | Disagree | 32% | 32% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| | | | | |
|--|---|-----|-----|---------------|
| Consultation Proposal C.7.7 | | | | Paragraph 146 |
| 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: | | | | |
| <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 (with or without comments on the proposed items as set out in the list of duties and responsibilities of the audit committee) | 91% | 91% | |
| | Disagree | 9% | 9% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal and include certain duties and responsibilities of audit committees as minimum standards and recommended good practices in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3). | | | | |

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|---|--|-----|-----|---------------|
| <u>Consultation Proposal C.7.8</u> | | | | Paragraph 222 |
| 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 the proposal? | | | |
| | Agree (with or without comments on the proposed disclosure details) | 78% | 78% | |
| | Disagree | 22% | 22% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal in principle and require issuers to disclose information relating to their audit committee in their annual reports. | | | | |
| Remuneration committee | | | | |
| <u>Consultation Proposal C.8.4</u> | | | | Paragraph 147 |
| 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 | 62% | 16% | |
| | Disagree – There is no need for issuers to establish a remuneration committee. | 24% | 6% | |
| | Disagree – Establishing a remuneration committee should be a compulsory requirement. | 7% | 76% | |
| | Disagree – Other views | 7% | 2% | |
| Q111 | Do you agree that a remuneration committee (if any) should comprise INEDs only? | | | |
| | Agree | 32% | 32% | |
| | Disagree | 68% | 68% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal and recommend as a minimum standard in the Code of Best Practice that issuers should establish a remuneration committee comprising a majority of the INEDs. | | | | |
| <u>Consultation Proposal C.8.5</u> | | | | Paragraph 223 |
| 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 (with or without comments on the proposed duties and functions of the remuneration committee) | 71% | 71% | |
| | Disagree | 29% | 29% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal in principle. We will include certain duties and responsibilities of remuneration committees as minimum standards and recommended good practices in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3). | | | | |
| Consultation Proposal C.8.6 | | | | |
| We will amend the Rules to require issuers to disclose the following information in their annual reports: | | | | Paragraph 224 |
| (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 (with or without additional comments on the proposed disclosure details) | 59% | 59% | |
| | Disagree | 41% | 41% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal in principle and require issuers to disclose information relating to their remuneration committee in their annual reports. | | | | |
| Nomination committee | | | | |
| Consultation Proposal C.9.6 | | | | |
| 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. | | | | Paragraph 148 |
| Q114 | Do you agree with our proposal? | | | |
| | Agree | 37% | 10% | |
| | Disagree – There is no need for issuer to establish a nomination committee. | 44% | 12% | |
| | Disagree – Establishing a nomination committee should be a compulsory requirement. | 2% | 73% | |
| | Disagree – Other views | 17% | 5% | |

| | | | | |
|--|--|-----|-----|---------------|
| Q115 | Do you agree that a nomination committee (if any) should comprise INEDs only? | | | |
| | Agree | 22% | 22% | |
| | Disagree | 78% | 78% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal and include in the Code of Best Practice as a recommended good practice (see our conclusion on Consultation Proposal C.5.3) that issuers should establish a nomination committee comprising a majority of INEDs. | | | | |
| <u>Consultation Proposal C.9.7</u> | | | | |
| 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. | | | | Paragraph 225 |
| Q116 | Do you agree with our proposal? | | | |
| | Agree (with or without comments on the proposed functions of the nomination committee) | 48% | 48% | |
| | Disagree | 52% | 52% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal in principle. We will include duties and responsibilities of nomination committees as recommended good practices in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3). | | | | |
| <u>Consultation Proposal C.9.8</u> | | | | |
| We will also amend the Rules to require issuers to disclose the following information in their annual reports: | | | | Paragraph 226 |
| <ul style="list-style-type: none"> (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 (with or without comments on the proposed disclosure details) | 52% | 52% | |
| | Disagree | 48% | 48% | |
| Conclusion | | | | |
| We will adopt the Consultation Proposal in principle and require issuers to disclose information relating to their nomination committee in their annual reports. | | | | |

| Directors' duties and responsibilities | | | | | |
|---|--|-----|-----|--|---------------|
| Duties and responsibilities of non-executive directors | | | | | |
| <u>Consultation Proposal C.10.3</u> 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: | | | | | Paragraph 227 |
| <p>(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;</p> <p>(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</p> <p>(c) participating in the audit committee and other governance committees where applicable.</p> | | | | | |
| Q118 | Do you agree with our proposal? | | | | |
| | Agree (with or without comments on the proposed duties and functions of non-executive directors) | 82% | 82% | | |
| | Disagree | 18% | 18% | | |
| Conclusion We will adopt the Consultation Proposal in principle and include the duties and responsibilities of non-executive directors as minimum standards and recommended good practices in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3). | | | | | |
| Chairman and chief executive officer | | | | | |
| <u>Consultation Proposal C.11.4</u> We will amend the Code of Best Practice to recommend segregation of 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 to make this a mandatory requirement. | | | | | Paragraph 228 |
| Q119 | Do you agree with our proposal? | | | | |
| | Agree | 53% | 53% | | |
| | Disagree – There is no need for issuer to segregate the roles of the chairman and chief executive officer. | 33% | 33% | | |
| | Disagree – Segregation of the roles of chairman and chief executive officer should be made mandatory. | 2% | 2% | | |
| | Disagree – Other views | 12% | 12% | | |
| Conclusion We will adopt the Consultation Proposal and recommend as a minimum standard in the Code of Best Practice that issuers should segregate the roles of chairman and chief executive officer. | | | | | |
| <u>Consultation Proposal C.11.5</u> We will amend the Rules to require issuers to disclose in their annual reports whether or not these two roles are segregated. | | | | | Paragraph 229 |
| Q120 | Do you agree with our proposal? | | | | |
| | Agree | 54% | 54% | | |
| | Disagree | 46% | 46% | | |

| | | | | |
|--|---|-----|-----|-----------------------|
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal. | | | | |
| <u>Internal controls</u> | | | | |
| <u>Consultation Proposal C.12.3</u> | | | | Paragraph 230 |
| 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 to 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 | 64% | 64% | |
| | Disagree | 36% | 36% | |
| <u>Conclusion</u> | | | | |
| We will adopt the Consultation Proposal and recommend as a minimum standard in the Code of Best Practice that directors should regularly conduct a review of the effectiveness of the group's system of internal controls. | | | | |
| <u>Consultation Proposal C.12.4</u> | | | | Paragraphs 149 to 150 |
| 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 shall disclose: | | | | |
| (a) a statement that the directors are responsible for the system of such review 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; | | | | |
| (f) significant views or proposals put forward by the audit committee; and | | | | |
| (g) a statement that the directors have reviewed the effectiveness of the system of internal controls. | | | | |
| Q122 | Do you agree with our proposal? | | | |
| | Agree (with or without comments on the proposed disclosure details) | 46% | 46% | |
| | Disagree | 54% | 54% | |
| <u>Conclusion</u> | | | | |
| We will modify the Consultation Proposal by encouraging directors to report to shareholders on the effectiveness of the issuers' internal control system in the report on corporate governance in their annual reports. This will be included as a recommended good practice in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3). | | | | |

| Voting by interested directors | | | | |
|--|--|-----|-----|------------------|
| <u>Consultation Proposal C.13.3</u> 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. | | | | Paragraph 231 |
| Q123 | Do you agree with our proposal? | | | |
| | Agree | 69% | 69% | |
| | Disagree | 31% | 31% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| Securities transactions by directors | | | | |
| Disclosure of breaches | | | | |
| <u>Consultation Proposal C.14.3</u> 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. | | | | Paragraph 232 |
| Q124 | Do you agree with our proposal? | | | |
| | Agree | 87% | 87% | |
| | Disagree | 13% | 13% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.14.4</u> 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. | | | | Paragraph 233 |
| Q125 | Do you agree with our proposal? | | | |
| | Agree (with or without comments on the proposed disclosed items) | 78% | 78% | |
| | Disagree | 22% | 22% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Definition of “dealing” | | | | |
|--|---------------------------------|-----|-----|--------------------------|
| <u>Consultation Proposal C.15.2</u> 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. | | | | Paragraphs 151 to 152 |
| Q126 | Do you agree with our proposal? | | | |
| | Agree | 63% | 63% | |
| | Disagree | 37% | 37% | |
| <u>Conclusion</u> We will modify the proposed definition of “dealing” as follows: <ul style="list-style-type: none"> - replace the terms “sale or purchase” with “acquisitions or disposals” in order to cover transfers of securities for no consideration; - extend the definition of “dealing” to cover dealings in interests in a special purpose vehicle which only holds shares of an issuer; - exclude taking up or allowing to lapse entitlements under a rights issue, except for excess rights, from the definition of “dealing”; - exclude the acceptance of and undertaking to accept general offers from the definition of “dealing”; and - exclude from the definition of “dealing” the exercise of share options or warrants or acceptance of an offer for shares pursuant to an agreement entered into by the directors and issuers before the “black out” period, with pre-determined prices. Directors will not be allowed to sell shares of the issuer during the “black out” period. | | | | |
| <u>Consultation Proposal C.15.3</u> 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. | | | | Paragraph 234 |
| Q127 | Do you agree with our proposal? | | | |
| | Agree | 93% | 93% | |
| | Disagree | 7% | 7% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Dealings by directors in “exceptional circumstances” | | | | |
|---|---------------------------------|-----|-----|------------------|
| <u>Consultation Proposal C.16.3</u> We will amend the Model Code 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. | | | | Paragraph 235 |
| Q128 | Do you agree with our proposal? | | | |
| | Agree | 88% | 88% | |
| | Disagree | 12% | 12% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.16.4</u> 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. | | | | Paragraph 236 |
| Q129 | Do you agree with our proposal? | | | |
| | Agree | 64% | 64% | |
| | Disagree | 36% | 36% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| Directors as trustees or beneficiaries | | | | |
| <u>Consultation Proposal C.17.4</u> 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. | | | | Paragraph 237 |
| Q130 | Do you agree with our proposal? | | | |
| | Agree | 90% | 90% | |
| | Disagree | 10% | 10% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Securities transactions by “relevant employees” | | | | |
|--|--|-----|-----|----------------------------|
| <u>Consultation Proposal C.18.3</u> 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. | | | | Paragraph 238 |
| 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 | 64% | 64% | |
| | Disagree | 36% | 36% | |
| Q132 | Do you agree with the proposed definition of “relevant employees”? | | | |
| | Agree | 71% | 71% | |
| | Disagree | 29% | 29% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal and recommend as a minimum standard in the Code of Best Practice that issuers should 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 Model Code. | | | | |
| “Black out” period of directors’ securities transactions | | | | |
| <u>Consultation Proposal C.19.7</u> 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. | | | | Paragraphs 108, 116 to 117 |

| | | | | |
|--|--|-----|-----|--|
| Q133 | Do you agree with our proposal? | | | |
| | Agree | 75% | 19% | |
| | Disagree – 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. | 4% | 1% | |
| | Disagree – 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. | 4% | 1% | |
| | Disagree – The "black out" period should follow the UK Listing Rules, whereby directors are not allowed to deal in the issuers' securities for: <ul style="list-style-type: none"> (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. | 4% | 1% | |
| | Disagree – Other views | 13% | 78% | |
| 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 the publication of the results announcement? | | | |
| | Agree | 38% | 86% | |
| | Disagree | 62% | 14% | |
| Conclusion | | | | |
| We will not adopt the Consultation Proposal. The existing "black out" period under the Rules will be retained. | | | | |

| Directors' contracts, remuneration and appointments | | | | |
|--|--|-----|-----|---------------|
| Directors' service contracts | | | | |
| <u>Consultation Proposal C.20.7</u> 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 | | | | Paragraph 239 |
| Q135 | Do you agree with our proposal? | | | |
| | Agree | 59% | 59% | |
| | Disagree – No shareholders' approval should be required, regardless of the length of the service contract. | 24% | 24% | |
| | Disagree – Shareholders' approval should be obtained if the length of the service contract is more than 1 year. | 0% | 0% | |
| | Disagree – Shareholders' approval should be obtained if the length of the service contract is more than 2 years. | 1% | 1% | |
| | Disagree – Shareholders' approval should be obtained if the length of the service contract is more than 5 years. | 14% | 14% | |
| | Disagree – Shareholders' approval should be obtained if the length of the service contract is more than 10 years. | 1% | 1% | |
| | Disagree – Other views | 1% | 1% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| (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). | | | | Paragraph 239 |
| Q136 | Do you agree with our proposal? | | | |
| | Agree | 77% | 77% | |
| | Disagree – No shareholders' approval should be required, regardless of the length of the period of notice or the amount of compensation. | 20% | 20% | |
| | Disagree with the proposed period of notice. | 1% | 1% | |
| | Disagree with the proposed amount of compensation. | 2% | 2% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |
| <u>Consultation Proposal C.20.8</u> 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. | | | | Paragraph 240 |
| Q137 | Do you agree with our proposal? | | | |
| | Agree | 68% | 68% | |
| | Disagree | 32% | 32% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| Disclosure of directors' remuneration | | | | |
|--|---|-----|-----|-----------------------|
| Consultation Proposal C.21.3 | | | | Paragraphs 98 to 104 |
| 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 | 28% | 79% | |
| | Agree, but the information should be disclosed on a "no name" basis. | 17% | 5% | |
| | 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. | 55% | 16% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal and require issuers to disclose directors' remuneration on an individual but "no name" basis. | | | | |
| We will include as a recommended good practice in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3) that issuers should disclose directors' remuneration on an individual, named basis. | | | | |
| Appointment, reappointment and removal of directors | | | | |
| Consultation Proposal C.22.4 | | | | Paragraphs 153 to 156 |
| 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 | 78% | 78% | |
| | Disagree | 22% | 22% | |
| Q140 | Do you agree to require appointment, reappointment and removal of INEDs to be subject to independent shareholders' approval? | | | |
| | Agree | 27% | 82% | |
| | Disagree | 73% | 18% | |
| Conclusion | | | | |
| We will modify the Consultation Proposal and recommend as a minimum standard in the Code of Best Practice that directors should be subject to rotation at regular intervals. | | | | |
| Appointment, reappointment and removal of INEDs will not be subject to independent shareholders' approval. | | | | |

| Part D – Corporate reporting and disclosure of information | | | | |
|---|---|-------|-----|-----------------------|
| Quarterly reporting | | | | |
| Quarterly reports | | | | |
| <u>Consultation Proposal D.1.11</u> We will amend the Main Board Rules to require issuers to publish quarterly reports within 45 days of the quarter-end. | | | | Paragraphs 105 to 117 |
| Q141 | Do you agree with our proposal to require Main Board issuers to publish their financial results on a quarterly basis? | | | |
| | Agree | 17% | 5% | |
| | Agree, but subject to comments relating to disclosure content and/or timeliness of reporting. | 23% | 77% | |
| | Disagree | 60% | 18% | |
| 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 | 25% | 81% | |
| | Disagree – The reporting deadline for quarterly reporting should be 1 month after quarter end. | 2% | 1% | |
| | Disagree – The reporting deadline for quarterly reporting should be 2 months after quarter end. | 36.5% | 9% | |
| | Disagree – Other reporting deadline | 36.5% | 9% | |
| 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 | 57% | 57% | |
| | Disagree – Quarterly reporting for each of the first, second and third quarters of an issuer’s financial year and annual reporting for its financial year. | 26% | 26% | |
| | Disagree – Other views | 17% | 17% | |
| Conclusion We will not adopt the Consultation Proposal to require Main Board issuers to publish their results on a quarterly basis. We will encourage Main Board issuers to adopt quarterly reporting as a recommended good practice in the Code of Best Practice (see our conclusion on Consultation Proposal C.5.3). No amendments will be made to the quarterly reporting requirement (including the financial reporting deadline and disclosure requirements) under GEM Rules. | | | | |
| <u>Consultation Proposal D.1.12</u> 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. | | | | Paragraphs 105 to 117 |
| 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 | 51% | 12% | |
| | Disagree | 49% | 88% | |

| | | | | |
|--|--|--|-----|------------|
| 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 | 70% | 70% | |
| | Agree, except that a comparative consolidated income statement for the immediately preceding quarter should replace item (a) above. | 11% | 11% | |
| | Disagree | 19% | 19% | |
| Q146 | Do you agree that the same disclosure requirements should apply to Main Board and GEM issuers? | | | |
| | | Agree | 73% | 73% |
| | | Disagree | 27% | 27% |
| <u>Conclusion</u> | | | | |
| See our conclusion on Consultation Proposal D.1.11. | | | | |
| <u>Consultation Proposal D.1.13</u> | | | | Paragraphs |
| We will amend the Main Board Rules to require audit committees to review their issuers' quarterly reports. | | | | 105 to 117 |
| Q147 | Do you agree with our proposal? | | | |
| | | Agree | 64% | 64% |
| | | Disagree | 36% | 36% |
| <u>Conclusion</u> | | | | |
| See our conclusion on Consultation Proposal D.1.11. | | | | |
| Quarterly results announcements | | | | |
| <u>Consultation Proposal D.2.4</u> | | | | Paragraphs |
| 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. | | | | 105 to 117 |
| Q148 | Do you agree with our proposal? | | | |
| | | Agree | 35% | 9% |
| | | Agree, but subject to comments relating to disclosure content. | 5% | 74% |
| | Disagree | 60% | 17% | |
| <u>Conclusion</u> | | | | |
| See our conclusion on Consultation Proposal D.1.11. | | | | |
| <u>Consultation Proposal D.2.5</u> | | | | Paragraphs |
| 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. | | | | 105 to 117 |

| | | | | |
|---|---|-----|-----|-----------------------|
| 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 | 59% | 59% | |
| | Disagree (with comments on the proposed disclosure items) | 41% | 41% | |
| Conclusion See our conclusion on Consultation Proposal D.1.11. | | | | |
| <u>Consultation Proposal D.2.6</u> We will amend the Main Board Rules to require audit committees to review their issuers' quarterly results announcements. | | | | Paragraphs 105 to 117 |
| Q150 | Do you agree with our proposal? | | | |
| | Agree | 61% | 61% | |
| | Disagree | 39% | 39% | |
| Conclusion See our conclusion on Consultation Proposal D.1.11. | | | | |
| Half-year reporting | | | | |
| Half-year reports | | | | |
| <u>Consultation Proposal D.3.7</u> 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. | | | | Paragraph 157 |
| Q151 | Do you agree with our proposal to permit issuers to distribute summary half-year reports? | | | |
| | Agree | 74% | 18% | |
| | Agree, but subject to comments relating to the proposed disclosure content. | 11% | 2% | |
| | Disagree | 15% | 80% | |
| 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 | 83% | 83% | |
| | Disagree (with comments on the proposed disclosure items) | 17% | 17% | |

| | | | | |
|---|---|-----|-----|----------------------|
| Conclusion | | | | |
| We will adopt the Consultation Proposal, subject to the modifications to the disclosure requirements: | | | | |
| <ul style="list-style-type: none"> - the Rules will clarify that in the issuers' business reviews, disclosure of information relating to the issuers' likely future business developments must also cover the issuers' prospect of the current financial year; - issuers will be required to disclose whether or not the summary half-year report has been reviewed by their external auditors or audit committees; - issuers will be allowed to include a negative statement in relation to the disclosure content of their business reviews in the summary financial reports, if they have no material changes in their business operations since their publication of the most recent annual reports; and - the existing requirement for disclosure of full details relating to audit committees' disagreement with the accounting treatment adopted by the issuers (if any) in the interim reports, will also apply to the summary half-year reports. | | | | |
| Consultation Proposal D.3.8 | | | | Paragraph 252 to 254 |
| 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 | 34% | 9% | |
| | Disagree – The reporting deadline for half-year reporting should be 1 month after the financial period end. | 1% | 0% | |
| | Disagree – The reporting deadline for half-year reporting should be 45 days after the financial period end. | 3% | 74% | |
| | Disagree – The reporting deadline for half-year reporting should be 3 months after the financial period end. | 27% | 7% | |
| | Disagree – 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. | 24% | 7% | |
| | Disagree – Other views | 11% | 3% | |
| Conclusion | | | | |
| We will not adopt the Consultation Proposal. | | | | |
| Half-year results announcements | | | | |
| Consultation Proposal D.4.9 | | | | Paragraph 158 |
| 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 | 56% | 14% | |
| | Disagree (with comments on the proposed disclosure items) | 15% | 79% | |
| | Disagree – The current disclosure requirements should be retained. | 29% | 7% | |

| | | | | |
|---|--|-----|-----|-----------------------|
| Conclusion | | | | |
| We will modify the Consultation Proposal as follows: | | | | |
| <ul style="list-style-type: none"> - the Rules will clarify that in the issuers' business reviews, disclosure of information relating to the issuers' likely future business developments must also cover the issuers' prospect of the current financial year; - issuers will be required to disclose whether or not the half-year results announcements have been reviewed by their external auditors or audit committees; - issuers will be allowed to include a negative statement in relation to the disclosure content of their business reviews in the half-year results announcements, if they have no material changes in their business operations since their publication of the most recent annual reports; and - the existing requirement for disclosure of full details relating to audit committees' disagreement with the accounting treatment adopted by the issuers (if any) in the interim reports, will also apply to the half-year results announcements. | | | | |
| Consultation Proposal D.4.10 | | | | Paragraphs 241 to 242 |
| 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 | 50% | 50% | |
| | Disagree | 50% | 50% | |
| 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? | | | |
| | 1 day | 1% | 1% | |
| | 7 days | 6% | 6% | |
| | 14 days | 5% | 5% | |
| | 21 days | 83% | 83% | |
| | Other period | 5% | 5% | |
| Conclusion | | | | |
| We will abolish the existing two-phased publication arrangement for half-year results announcements under the Main Board Rules. | | | | |
| Full-year reporting | | | | |
| Annual reports | | | | |
| Consultation Proposal D.5.6 | | | | Paragraphs 255 to 257 |
| 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 | 35% | 83% | |
| | Disagree | 65% | 17% | |
| Conclusion | | | | |
| We will not adopt the Consultation Proposal. | | | | |

| | | | | | |
|--|--|---|-----|-----|--------------------------|
| <u>Consultation Proposal D.5.7</u> | | | | | Paragraph 243 |
| 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 | 66% | 66% | |
| | | Disagree | 34% | 34% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | | |
| Summary financial reports | | | | | |
| <u>Consultation Proposal D.6.2</u> | | | | | Paragraph 244 |
| 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 | 89% | 89% | |
| | | Disagree | 11% | 11% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | | |
| Annual results announcements | | | | | |
| <u>Consultation Proposal D.7.9</u> | | | | | Paragraph 245 |
| 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 | 60% | 60% | |
| | | Disagree (with comments on the proposed disclosure items) | 17% | 17% | |
| | Disagree – The current disclosure requirements should be retained. | | 23% | 23% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | | |
| <u>Consultation Proposal D.7.10</u> | | | | | Paragraphs 246 to 247 |
| 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 | 51% | 51% | |
| | | Disagree | 49% | 49% | |

| | | | | |
|--|--|--------------|-----|---------------|
| 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? | | | |
| | | 1 day | 0% | 0% |
| | | 7 days | 8% | 8% |
| | | 14 days | 3% | 3% |
| | | 21 days | 86% | 86% |
| | | Other period | 3% | 3% |
| <u>Conclusion</u> We will abolish the existing two-phased publication arrangement for annual results announcements under the Rules. | | | | |
| Contents of circulars and announcements relating to notifiable transactions | | | | |
| Very substantial acquisitions | | | | |
| <u>Consultation Proposal D.8.3</u> 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. | | | | Paragraph 248 |
| Q163 | Do you agree with our proposal? | | | |
| | | Agree | 77% | 77% |
| | | Disagree | 23% | 23% |
| <u>Conclusion</u> We will adopt the Consultation Proposal. | | | | |

| General information in all announcements and circulars of notifiable transactions | | | | |
|---|--|-----|-----------------------|--|
| <p>We will amend the Rules to require issuers to disclose the following information in all announcements and circulars of notifiable transactions:</p> <p>(a) book value of the assets being acquired or realised;</p> <p>(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;</p> <p>(c) details of any guarantee and/other security given and required as part of the transaction;</p> <p>(d) reasons for entering into the transaction;</p> <p>(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:</p> <p>(i) crucial assumptions for the business valuation including discount rate/growth rate used;</p> <p>(ii) sensitivity analysis based on different discount rates and growth rates; and</p> <p>(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;</p> <p>(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</p> <p>(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.</p> | | | Paragraphs 159 to 161 | |
| Q164 | Do you agree with our proposal? | | | |
| | Agree (with or without comments on the proposed disclosure items) | 82% | 82% | |
| | Disagree | 18% | 18% | |
| 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 | 42% | 42% | |
| | Disagree | 58% | 58% | |
| <u>Conclusion</u> | | | | |
| <p>We will adopt the Consultation Proposal relating to disclosure of additional information in all announcements and circulars of the notifiable transactions. In relation to the disclosure requirement for business valuation reports, we will amend the Rules so that such requirement will only apply to major transactions, connected transactions, very substantial acquisitions and very substantial disposals.</p> <p>We will also modify the Consultation Proposal so that issuers will not be required to disclose the identity of the counter-party to the transaction unless it is not an independent third party. However, issuers shall confirm in the respective announcements and circulars that the ultimate beneficial shareholders of the counter-party to the transactions are independent of the issuers and their connected persons.</p> | | | | |

| | | | | |
|---|---------------------------------|-----|-----|---------------|
| Others | | | | |
| Changes in directorship | | | | |
| <u>Consultation Proposal D.10.3</u> We will amend the Main Board Rules to require issuers to publish an announcement of any changes in directorships. | | | | Paragraph 162 |
| Q166 | Do you agree with our proposal? | | | |
| | Agree | 79% | 79% | |
| | Disagree | 21% | 21% | |
| Conclusion We will adopt the Consultation Proposal to require Main Board issuers to publish an announcement for any changes in directorship. We will also amend the Rules so that both Main Board and GEM issuers will have to include in an announcement on directors' resignation, the reasons for their resignation including any information relating to directors' disagreement with the issuer, and a statement as to whether there are any matters that need to be brought to the attention of shareholders. | | | | |
| <u>Consultation Proposal D.10.4</u> 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. | | | | Paragraph 163 |
| Q167 | Do you agree with our proposal? | | | |
| | Agree | 79% | 79% | |
| | Disagree | 21% | 21% | |
| Conclusion We will adopt the Consultation Proposal relating to disclosure of biographical details of the newly appointed directors in the announcement of their appointment. We will modify the proposal to require disclosure of the biographical details of directors who are re-elected or newly appointed at any general meetings (including annual general meetings) in the notice of meetings to shareholders. | | | | |

| Despatch of notice of general meeting and circular | | | | |
|--|---------------------------------|-----|-----|------------------|
| <u>Consultation Proposal D.11.5</u> 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. | | | | Paragraph 164 |
| Q168 | Do you agree with our proposal? | | | |
| | Agree | 85% | 85% | |
| | Disagree | 15% | 15% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal to amend the Main Board Rules and require Main Board issuers to despatch circulars to shareholders at the same time as or before they give notices of the general meeting to approve the relevant transactions. We will also amend the Rules to require issuers to despatch any supplementary circulars or provide any material information (by way of announcement) on the subject matters to be considered at the general meetings, to the shareholders at least 14 days before the date of the general meetings. Issuers will be required to postpone the general meetings to ensure that they comply with the 14-day requirement. | | | | |
| <u>Consultation Proposal D.11.6</u> We will amend the Rules to require issuers to publish notice of general meetings by way of an announcement. | | | | Paragraph 165 |
| Q169 | Do you agree with our proposal? | | | |
| | Agree | 61% | 61% | |
| | Disagree | 39% | 39% | |
| <u>Conclusion</u> We will adopt the Consultation Proposal to require issuers to publish notices of general meetings by way of an announcement. We will also extend such requirement to notices of court meetings for approval of schemes of arrangement, capital reduction and other corporate actions of issuers. | | | | |