

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201408.pdf>.

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

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

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

Yes

No

Please give reasons for your views.

We generally welcome the proposed amendments to the Listing Rules with updated provisions of current legislation which promotes a level playing field for all issuers.

However, we are particularly concerned about the proposed alignment with section 390 of the New Companies Ordinance which requires, inter alia, disclosure in the directors' report of the names of any persons who are or were directors of any of the subsidiaries included in the issuer's consolidated financial statements. This requirement could be overly onerous for overseas incorporated issuers which are multinational groups that have a large number of subsidiaries. We consider that this may not always be operationally feasible and may not be very useful for readers of the annual report.

We suggest that if in the opinion of the directors of the company, a concession should be provided to disclose the names of the directors of material subsidiaries. Alternatively, consideration can be given to allowing disclosure in the directors' report a location at which the general public may readily access the required disclosure, such as the issuer's public website.

If the proposed requirement were to be adopted, it would be clearer to readers of the directors' report for the names of the directors of the holding company to be disclosed separately from the names of the directors of its consolidated subsidiary undertakings.

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

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

Yes

No

Please give reasons for your views.

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

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as the existing disclosure requirements in relation to financial conglomerates are well covered by HKFRSs/IFRSs.

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as the disclosure requirements in relation to bank reporting are well covered by HKFRSs/IFRSs, Banking (Disclosure) Rules and HKMA Supervisory Policy Manual.

Chapter III: Other financial information disclosures related proposed Rule amendments

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

Yes

No

Please give reasons for your views.

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

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as this would enable investors to be aware of potential implications arising from the prior period adjustment.

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as it enhances issuers' compliance with disclosure requirements under the Listing Rules.

However, it is suggested that a full list of disclosure requirements should be provided in Appendix 16. Since disclosure requirements for periodic reports are currently widely dispersed throughout different parts of the Listing Rules, it is important for listed issuers to have a full list to which they can refer in order to ensure full compliance with the disclosure requirements under the Listing Rules for periodic reports.

Besides, the following new paragraphs are proposed in Main Board Rules Appendix 16 in Chapter III:

6.3 An annual report shall contain information required under other parts of the Listing Rules, such as [emphasis added].....

40.3 An interim report shall contain information required under other parts of the Listing Rules, such as [emphasis added].....

The proposed new paragraphs list out the information required under other parts of the Listing Rules. The use of the term 'such as' seems to suggest that those are examples rather than a full list of disclose requirements.

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

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as it provides a level playing field for all issuers.

9. Do you support the proposal to allow companies incorporated in Bermuda and the Cayman Islands to convene general meetings on shorter notice on the same terms as

companies incorporated in Hong Kong (i.e. in accordance with the relevant provisions of the New Ordinance)?

Yes

No

Please give reasons for your views.

We agree with the proposal, as it provides a level playing field for all issuers.

Chapter V: Proposed minor Rule amendments

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as it allows shareholders to have better planning of their cashflow.

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as it clarifies the Exchange's intended scope of the rule.

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

Yes

No

Please give reasons for your views.

We agree with the proposal, as the cost of preparing the disclosure at such a detailed level outweighs the benefits obtained by shareholders, particularly for an issuer with diversified investments and complicated structure.

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

Yes

No

Please give reasons for your views.

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

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

We have no comments on the proposed amendments as they are mainly aligned with the current provisions in other applicable rules and regulations.

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

In two instances, references are made to the provisions under the New Companies Ordinance in one proposed rule and at the same time, the contents of those disclosure requirements are repeated or substantially repeated in another proposed rule. We consider that the repeated contents are redundant and in the cases where the contents are substantially, but not word for word, repeated, we find it confusing since this may potentially mean two sets of seemingly similar but different requirements.

1. Disclosure set out in Schedule 5 of the New Companies Ordinance (paragraphs 53-54 on p.18)

The proposed paragraph 28(2)(d) of Main Board Rules Appendix 16 requires issuer to make disclosure required under Schedule 5 ‘Contents of Directors’ Report: Business Review’ of the New Companies Ordinance. On the other hand, the contents of the proposed paragraph 28A of Main Board Rules Appendix 16 list out the details of Schedule 5.

We consider that the proposed paragraph 28A is redundant and suggest that it should be deleted.

2. Disclosure of material interests of directors in transactions, arrangements or contracts (paragraph 67 on p.23)

Firstly, paragraph 67 of the Consultation Paper states that paragraph 15 of Main Board Rules Appendix 16 will be amended to align with section 536 of the New Companies Ordinance. However, it is found that section 536 of the New Companies Ordinance deals with declaration of material interests of directors to the other directors whereas paragraph 15 of Main Board Rules Appendix 16 deals with disclosure of material interest of directors in annual reports. We find this confusing since these two paragraphs are for different purposes.

Secondly, instead of aligning with section 536 of the New Companies Ordinance above, we noted that section 383(1)(e) of the New Companies Ordinance is more relevant to paragraph 15 of Main Board Rules Appendix 16. However, we consider it confusing since the wording of the proposed revised paragraph 15 of Main Board Rules Appendix 16 is not exactly the same as that of section 383(1)(e) of the New Companies Ordinance. We are not sure if the two requirements are intended to require the same disclosure.

We believe it is necessary to clarify the linkage between paragraph 15 of Main Board Rules Appendix 16, section 536 of the New Companies Ordinance and section 383(1)(e) of the New Companies Ordinance. There may be a need to retain, rephrase and relocate the current paragraphs 15 to 15.3 in Main Board Rules Appendix 16.

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