



**CONSULTATION PAPER ON REVIEW OF LISTING RULES
ON DISCLOSURE OF FINANCIAL INFORMATION
WITH REFERENCE TO NEW COMPANIES ORDINANCE AND
HONG KONG FINANCIAL REPORTING STANDARDS
AND PROPOSED MINOR/ HOUSEKEEPING RULE AMENDMENTS**

THE LAW SOCIETY'S SUBMISSIONS

Response to consultation questions

The paragraph numbering and the reference in the Consultation Paper are adopted in the responses below.

Question 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?

Law Society's response:

Generally we agree with creating a level playing field between Hong Kong- and non-Hong Kong-incorporated companies in this respect.

Question 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?

Law Society's response:

We agree.

Question 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?

Law Society's response:

We agree.

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

Law Society's response:

We agree.

Question 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?

Law Society's response:

We agree with the requirement to publish an announcement. However, we are concerned with the proposal to create a new headline category.

The headline categories are proliferating at alarming rate. At present there are more than 100 sub-categories for announcements alone. There are some 13 sub-categories under headline category "Announcement – Financial Information" and four under "Financial Statements / ESG Information". Practical experience shows the system is becoming unwieldy. Submitters are finding it more difficult to pick the most appropriate headline category, while users have to look under separate headline categories (which must be gone through slowly, one after another) to track down the information they need. The proliferation of headline categories inevitably creates inconsistencies within the system and achieves precisely the opposite of what the Exchange intends.

We believe it will be more appropriate to fit the new announcement under one of the existing headline categories. For example, if there is a revision to the final results announcement, there seems to be no reason why the user should not find the revision announcement in close vicinity to the first announcement but has to

look up the revision announcement under another headline category (which he will not do unless he already knows of the existence of such revision announcement).

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

Law Society's response:

We agree with the requirement to publish an announcement, but repeat our concern in Question 5 regarding the creation of more headline categories.

Question 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?

Law Society's response:

We agree with the initiative. However, in the draft new paragraph 6.3 in Appendix 16, the references to other disclosure requirements are expressed as non-exhaustive. This is not helpful and defeats the Exchange's stated purpose of enhancing issuers' compliance. We suggest to add the words "the following" before the expression "information required..." and delete the expression ", such as". If the Exchange has other items of information in mind, this should be clearly spelled out.

Question 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?

Law Society's response:

We agree.

Question 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)?

Law Society's response:

The proposed amendments in paragraph 112 are not useful for this procedure for calling meetings on short notices is rarely invoked for listed issuers.

Question 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?

Law Society's response:

We agree. The Exchange may, however, consider adopting the term "issued voting shares" throughout the various rules identified in paragraph 120 instead of using different terminologies such as "issued shares", "voting rights in general meetings", "number of issued shares", etc.

Question 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?

Law Society's response:

We agree.

Question 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?

Law Society's response:

We agree.

Question 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?

Law Society's response:

We agree.

Question 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.

Law Society's response:

Please see our response to Question 15.

Question 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.

Law Society's response:

We have some suggestions on drafting:

1. In paragraph 28.1 of Appendix 16, the proper English usage is “in accordance *with*” rather than “in accordance *to*”.
2. In the proposed new note to Rule 10.06(1)(c)(i), we would recommend setting out more clearly the nature of the adjustment that is to take place. For example:

“If the issuer conducts a share consolidation or subdivision after the repurchase mandate has been approved in general meeting to approve mandate, the number of shares that may be repurchased under the mandate should be adjusted accordingly such that the maximum number of shares available for repurchase shall constitute the same percentage of the total number of issued shares immediately following such consolidation or subdivision.”

Note 3 to Rule 13.36(2) and the new note 3 to Rule 17.03(3) should likewise be more clearly written.

3. In the proposed Note 1 to Rule 14.07:

“The numerator includes shares that may be issued upon conversion or exercise of any convertible securities or subscription rights to be issued or granted by the listed issuer as consideration.”

The Law Society of Hong Kong
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