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The Corporate Finance Division
The Securities and Futures Commission
8th Floor, Chater House,
8 Connaught Road Central,
Central
Hong Kong

Dear Sir / Madam,

Consultation Paper on Proposed Amendments to the Securities and Futures (Stock Market Listing) Rules

In response to the abovementioned Consultation Paper, we would like to make two comments on the broader level before going into the specifics of the Consultation Paper.

1) **The Commission should go beyond codifying requirements relating only to disclosure.**

There are other very important aspects of the Listing Rules which require more enforcement "teeth". For example, approval of share option scheme by shareholders (Listing Rules 17.02(1)(a)). As disclosure is only part of corporate governance, it is therefore, inconsistent to codify one area of corporate governance but not others.

2) **Market operators are concerned that the SEHK (which will remain the frontline regulator) and the SFC (which is expected to take a more active role in enforcing these provisions) may interpret the listing rules differently, thereby creating confusion.**



We are of the opinion that the public would derive more comfort if the public could be convinced that the Dual Filing regime can work smoothly, in the sense that the two regulators work with high degree of co-operation and that rules are interpreted in a consistent manner.

Going into the specifics of the Consultation Paper:

1) **Schedule 6 *Classification of Transactions* (p.88)**

Option A is preferred as it provides for a higher level of disclosure while not overburdening the listed companies.

2) **The Commission's proposed changes from the current Stock Exchange Listing Rules highlighted in Appendix 2.**

- a. **We are generally supportive of the proposed changes.**
- b. **However, we do not support “*Disclosure of the counterparty and its beneficial owners*”** since this requirement will discourage sellers who do not want to be named in transactions with listed companies. Information on the identity of the seller bears little relevance in accessing future rates of return of the transacted business, and therefore is not crucial information to investors making investment decisions.
- c. **We strongly support “*Disclosure of the relevant percentage ratios and the underlying calculations*”.** Very often in practice, company circulars lack proper disclosure on financial valuations. Without proper disclosure of management's version of the financial analysis, it is difficult for investors to understand management's recommendation on proposed transactions.



- d. In terms of “*Disclosure of profit forecast*”, we strongly urge the Commission to impose a requirement on an issuer to include profit forecast numbers in its announcement of a notifiable transaction or connected transaction. This is important as this will allow shareholders to better assess the basis on which management enters into such transactions. Investors are aware that these are forecasts and should not hold management accountable.

Best regards,

Yours sincerely
For and on behalf of
Prudential Asset Management (Hong Kong) Limited

David Cheung, CFA
Investment Director