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THE CHAMBER OF HONG KONG LISTED COMPANIES

Press release

Chamber of Hong Kong Listed Companies Recommends Waiver to Share Repurchases Restriction Temporarily to Combat Current Adverse Market Environment

(Hong Kong, October 15, 2008) The Chamber of Hong Kong Listed Companies (“the Chamber”) has written to the Financial Services and the Treasury Bureau and the Securities and Futures Commission recommending that the creeper rule under the Codes on Takeovers and Mergers and Share Repurchases (the “Codes”) be waived temporarily to allow Hong Kong companies to buy back their shares in a more flexible manner. This would help restore investor confidence at the present challenging market environment.

The Chamber believes shares buy back is an effective way to restore investor confidence. It sends a positive message to the market and is a vote of confidence on the value of the company. By supplying buy orders that counteract the predominant sell orders, it helps stabilize the share price and encourages other shareholders to hold on to their shares, thus reducing further downward pressure.

However, the creeper rule provision under the Codes may unwittingly restrict share repurchases more readily during this critical time. Currently, this rule governs that major shareholders and their concerted parties who own in aggregate between 30% – 50% of the company are to ensure their daily level of shareholdings would not exceed 2 percentage points above their lowest level of shareholdings in the previous 365 days. In case of exceeding this range, the major shareholders are obliged to make a General Offer to all shareholders.

In the case of a company repurchasing its shares, since the number of shares repurchased from the market would be cancelled, the issued share capital of the company will become smaller, hence the shareholdings of the major shareholders will consequentially become higher in percentage, and this happens although the major shareholders have not taken any proactive move to increase their shareholdings. Under these circumstances, the major shareholders would still be subject to the General Offer obligation. This is a very prohibiting factor for companies



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considering share buy back as a way to respond to the current negative market conditions and depressed share price.

The Chamber recommends the Securities and Futures Commission to consider the idea of granting a “general waiver” to major shareholders of a company from making a General Offer under the creeper rule. We suggest that such a general waiver be given for three months with immediate effect and with or without conditions (as the Securities and Futures Commission sees fit), subject to further review upon completion of the three months.

The Chamber believes this is a good way to enable more companies to take positive action to protect interests of all shareholders and maintain market stability during this critical time. The Chamber believes that Hong Kong companies would be willing to repurchase their shares and in doing so provide much-needed support to the share price, inducing positive effects to combat the current adversarial market condition.

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About The Chamber of Hong Kong Listed Companies

Incorporated in September 2002, CHKLC is a non-profit organization serving listed companies and other industry bodies in Hong Kong. The Chamber strives to promote sound corporate governance; function as an effective communication channel between listed companies and regulatory authorities; strengthen the commercial linkage and foster cooperation among listed companies from Hong Kong and China and uphold Hong Kong’s position as an international trade, commercial and financial centre. Since 2007, the Chamber organises the annual “Hong Kong Corporate Governance Excellence Awards” jointly with the Hong Kong Baptist University to advocate best practices of corporate governance and recognize excellence, and from 2008 organises the annual “Listed Companies Conference” to provide a forum of discussion of stock market issues.