



THE STOCK EXCHANGE OF HONG KONG LIMITED

**PUBLIC CONSULTATION DOCUMENT ON
A PROPOSED NEW LISTING STATUS**

9 September 1991

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EXECUTIVE SUMMARY

Introduction

The purpose of this paper is to provide a background for securities market participants and the general public to comment on courses of action to be taken with respect to Hong Kong listed companies which, for a variety of reasons, may be seeking to move their lead regulation overseas but where the majority of their shareholders and trading will remain in Hong Kong.

As part of the recently completed Six Months Review of the Listing Rules, the Exchange proposed to attract suitable overseas listed companies by providing these companies with “Exempt Foreign Company” status which is essentially a simplified secondary listing. After the concept was proposed, the Jardine Matheson group of companies (“Jardine”) put forward a new proposal for a trading listing status and to avoid the possibility of confusion, the introduction of the Exempt Foreign Company status has been deferred while the new listing status is being considered.

Primary and secondary listings and globalisation

The concepts of primary and secondary listings are well established in securities markets throughout the world even though there are no generally accepted precise definitions. Many of the Exchange’s listing requirements vary according to whether a company has a primary or secondary listing in Hong Kong.

The location of a company’s primary listing is traditionally on the exchange in the country in which it is incorporated and first listed. Usually, the majority of the company’s management, assets and business are in this home market which is therefore the natural market to attract volume trading in the securities. For these reasons the main source of regulation of a company and the trading of its securities has traditionally derived from the home market.

Today, however, many international companies have listings on three or four of the world’s major exchanges and have assets and management in many jurisdictions. This globalisation of securities trading means that any one market can potentially lose trading to other financial centres, unless that market remains competitive and responsive to international trends. The regulation of such companies is gradually becoming a collective exercise rather than the exclusive prerogative of the home market. This move to internationalisation is being taken into account by all regulators involved in the securities industry, including the Exchange.

The Jardine situation

Members of the Jardine group are now listed in Australia, Singapore, Luxembourg and on the London Stock Exchange (LSE) as well as Hong Kong. In addition, securities of five of the Jardine group companies are now traded in the United States through a sponsored ADR programme.

The Exchange understands that Jardine, as an international company incorporated overseas, believes that the UK is a more appropriate regulatory centre for its corporate governance than Hong Kong, given what Jardine perceives as the potential political uncertainty in Hong Kong associated with the forthcoming constitutional changes. Jardine has publicly stated its intention to seek a primary listing for regulatory purposes on the LSE. Jardine proposes that

when an international company incorporated outside Hong Kong becomes subject to the primary regulation of an acceptable international regulator, such as the LSE, it should be able to remain listed in Hong Kong on the basis that the Exchange recognises the primacy of the LSE regulations and accordingly it is exempted from similar Hong Kong regulations — the “trading listing” status.

Possible action

The Exchange is now facing the practical challenge of accommodating the move towards globalisation within its listing rules. The Exchange believes that there are four possible approaches which would involve:—

- following the existing procedure for secondary listings; or
- establishing a new “full disclosure listing” status; or
- establishing a new “trading listing” status; or
- not changing the existing regime at all.

If the Exchange decided not to change the existing regime at all then the existing Listing Rules would not be changed and companies would have to choose either to remain listed under the existing regulatory regime or to delist in accordance with the Listing Rules governing a voluntary withdrawal of listing. However, the Exchange considers that there is overall benefit to the market in retaining listings of major companies in Hong Kong, notwithstanding the fact that they may choose to have their primary regulation overseas, provided that the current standards of investor protection in Hong Kong can be broadly maintained.

Secondary listing status

The situation could simply be treated as a secondary listing within the existing regulatory regime, on the basis that a company will have its primary listing on another recognised exchange. The listing agreement for a secondary listing is in a standard format.

The main disadvantage with this approach is that secondary listing status was not designed for companies where the majority of share trading volume and the majority of shareholders are in Hong Kong and therefore where a significant regulatory role is necessary for the Exchange.

Full disclosure listing status

Certain companies which have had primary listings in Hong Kong for a number of years could qualify for a regulatory regime based more on full disclosure than on detailed rules. Such a Full Disclosure Listing would rely principally on self-regulation by companies which met the relevant criteria. This approach would require a radical reconsideration of the current basis of regulation, and standards would be maintained principally by new statutory sanctions.

The main disadvantages of this approach are that some may see it as reducing the calibre of Hong Kong’s overall regulatory regime, the image of which has recently improved; and the status creates a two-tier market, with some companies being subject to less detailed regulation in Hong Kong than others, a situation which may be unacceptable to the market.

Trading listing status

A new trading listing status could be established which would be available to all companies already listed in Hong Kong. This would differ from an ordinary secondary listing in that it would recognise that the majority of trading volume and most of the shareholders would be situated in Hong Kong and that there would be a substantial regulatory role for Hong Kong. A secondary listing tends to be a prestige listing for a company whose main trading volume is in the home market.

The main qualification for the proposed new status is that the company should be able to show that investors are adequately protected by the regulations imposed on companies which are listed on one or more other recognised exchanges (i.e. the lead regulator) and by its jurisdiction of incorporation. This would normally be evidenced by having a primary listing on another stock exchange which had been recognised for this purpose by the Exchange.

Although the Exchange would no longer be the lead regulator of these companies it would still play a major role in their regulation since the majority of trading would remain here. This is in significant contrast to its regulatory role in ordinary secondary listings. There would therefore need to be specific agreements between the Exchange and the lead regulator on matters such as suspension policy, the release of information, settlement procedures, and the monitoring of compliance with the lead regulator's rules. The amount of work involving the Exchange's Listing Division and staff would therefore be substantial.

Official views

On the 24th April 1991, Hong Kong's Legislative Council (Legco) debated the "trading listing" request made by the Jardine group to the regulatory authorities. The motion proposed for consideration was "that this Council strongly urges the Government to ensure that when requests by groups of publicly listed companies for special exemption from statutory, regulatory or listing requirements governing all listed companies in Hong Kong are considered, the important principles of investor protection, fairness and equity be upheld without fear or favour." (source: OMELCO). The motion was carried with two abstentions.

In addition, the Secretary for Monetary Affairs and the Securities and Futures Commission have stated publicly that any exemptions to be granted will be considered on the basis of three principles:

- that there is adequate protection for investors;
- that regulatory standards of control are not lowered; and
- that there would be equal treatment to all.

The Exchange fully supports this approach and believes that this paper encompasses those sentiments.

Implications if no changes are made to accommodate current trends

The most likely immediate effect of a failure to accommodate current trends would be the delisting of one or more of the Jardine group companies.

A delisting by all five Jardine group companies might result in an immediate 9.04% fall in Hong Kong's total market capitalisation (based on 30 August 1991 figures).

Once trading was lost to Hong Kong, it would be very difficult to retrieve. This has been demonstrated in other markets, particularly in Europe.

There would also be significant financial implications with respect to the possible loss of stamp duty, transaction levy and listing fees. Losses to the Exchange could have a negative impact on its future development and thus on the Hong Kong market generally.

Conclusion

The Exchange has considered in detail the situation of Hong Kong listed companies who are seeking to move their lead regulation overseas but whose shareholders and trading volume remain substantially in Hong Kong. The Exchange has borne in mind the following:—

- it is essential to maintain Hong Kong as a key financial centre and to maintain confidence in the territory as a whole;
- any new listing provisions or status must be available to all companies who can meet the requirements; and
- investors must continue to enjoy at least the same level of protection as they do now.

The Exchange has reviewed all of the approaches outlined above and will consider the comments of market participants before making a final decision on the course of action it will take, which must have market support.

The Exchange therefore invites market participants to submit comments in writing on any matter discussed in this document. In particular the Exchange requests comments on the following specific questions:—

- If a new trading listing status is introduced are there likely to be significant “knock-on” effects that in the long term will be detrimental to the development of Hong Kong as a financial centre?
- Is the concept of an overseas “lead regulator” for companies whose main trading market is in Hong Kong, as proposed in the form of a new trading listing status, suitable for Hong Kong?
- If the concept of overseas “lead regulation” is applied to companies whose main trading market is in Hong Kong, would this be seen as reflecting a lack of confidence in the integrity of Hong Kong's securities regulatory framework and, for that reason, have a detrimental effect on international perceptions of Hong Kong as a securities market?
- If a trading listing status is suitable for Hong Kong are the draft rules and listing agreement set out in Appendices 3 and 4 appropriate?
- Is it appropriate to provide that a company listed with a trading listing status would not be subject to future listing rule changes unless the company agreed to comply with the new or changed rule?

Comments should be sent to the Deputy Chief Executive, The Stock Exchange of Hong Kong Limited, 36/F Jardine House, 1 Connaught Place, Hong Kong and should arrive not later than close of business on 8 November 1991.

A PROPOSED NEW LISTING STATUS

1. INTRODUCTION

The purpose of this paper is to provide a background for securities market participants and for the general public to comment on courses of action to be taken with respect to Hong Kong listed companies which for a variety of reasons may be seeking to move their lead regulation overseas, but where the majority of their shareholders and trading will remain in Hong Kong.

- 1.1 As part of the recently completed Six Months Review of the Listing Rules, the Exchange proposed to attract suitable overseas listed companies by providing those companies with "Exempt Foreign Company" status. The concept arose out of the Exchange's desire to encourage well-capitalised and well-regulated overseas companies which are listed on recognised overseas exchanges to seek secondary listings in Hong Kong. The Exempt Foreign Company status is essentially a simplified secondary listing.
- 1.2 After the concept of "Exempt Foreign Company" status had been proposed, the Jardine Matheson group of companies ("Jardine") put forward a new proposal for a trading listing status for Hong Kong listed companies. Although the Exempt Foreign Company status was proposed for companies with a primary listing overseas and where the majority of trading takes place overseas and is thus not relevant to the Jardine situation, it was decided to defer introduction of the Exempt Foreign Company status to avoid the possibility of confusion while the new listing status is being considered.
- 1.3 This paper focuses on the suggestion to introduce a trading listing status and includes a reconsideration of the concepts of primary and secondary listings in the light of the increased globalisation of trading in securities.

2. PRIMARY AND SECONDARY LISTINGS

- 2.1 The concepts of primary and secondary listings are well established in securities markets throughout the world even though there are no generally accepted precise definitions. Many of the Exchange's listing requirements vary according to whether a company has a primary or secondary listing in Hong Kong.
 - 2.1.1 The location of a company's primary listing is traditionally on the exchange in the country in which it is incorporated and first listed. The majority of the company's management, assets and business are usually in this home market which is therefore the natural market to attract volume trading in the securities. This inherent liquidity normally ensures that the volume and main price determining market remain at the home exchange. The majority of shareholders are usually resident in that jurisdiction, since it is investors there who are most familiar with the company.
 - 2.1.2 For these reasons the main source of regulation of a company and the trading of its securities has traditionally derived from the home market. Other exchanges are often prepared to list such companies through a secondary listing on the basis that investors are already able to buy the securities on the home exchange and the company is already regulated to an appropriate standard. The home exchange is usually keen to maintain its status as the main or lead regulator in order to preserve control of the company and trading in its shares in the home market.

2.1.3 Although secondary listings tend to carry a high prestige factor for international companies, traditionally they have not resulted in a significant development of trading on the secondary market. This lack of liquidity can result in shares being traded at a slight discount to the primary market, a phenomenon which emphasises the price determining function and liquidity of the primary market.

2.2 Globalisation of securities trading

2.2.1 Many international companies have listings on three or four of the world's major exchanges and have assets and management in many jurisdictions. In some cases this internationalisation means that a company's securities are traded at more attractive prices than where the company is perceived to be associated with only one country. The regulation of such companies is gradually becoming a collective exercise rather than the exclusive prerogative of the home market. In addition the traditional notion of an exchange as limited to a physical trading floor and one geographical location is gradually being eroded by new technology and cross border dealings in securities.

2.2.2 This globalisation of securities trading means that any one market can potentially lose trading to other financial centres, unless that market remains competitive and responsive to international trends. In addressing these issues the Exchange wishes to maintain the current level of trading in Hong Kong, and attract greater volume, whilst still maintaining the current standards of investor protection in Hong Kong.

2.2.3 This move to internationalisation is being taken into account by all regulators involved in the securities industry, including the Exchange. The Federation Internationale Des Bourses De Valeurs (F.I.B.V.) has conducted a comprehensive study which identifies the regulatory issues raised by the increasing complexity and internationalisation of the securities industry. It has considered the viability of establishing a supranational regulatory authority but has concluded that such an approach is neither appropriate nor realistic. Instead it advocates increased co-ordination and co-operation between regulatory organisations across national borders. The F.I.B.V. has stated that such co-operation should be based on the premise that one organisation is the primary regulatory authority (the lead regulator) with which other self-regulatory or governmental regulators should co-operate.

3. THE JARDINE SITUATION

3.1 Members of the Jardine group are now listed in Australia, Singapore, Luxembourg and on the London Stock Exchange (LSE) as well as Hong Kong. In addition, securities of five of the Jardine group companies are now traded in the United States through a sponsored ADR programme.

3.2 Since the establishment of the Securities & Futures Commission (SFC) and the introduction of the existing Listing Rules, Jardine has criticised various aspects of the new regulatory environment in Hong Kong. The Exchange understands that Jardine, as an international company incorporated overseas, believes that the UK is a more appropriate regulatory centre for its corporate governance than Hong Kong, given what Jardine perceives as the potential political uncertainty in Hong Kong associated with the forthcoming constitutional changes.

- 3.3 Jardine has publicly stated its intention to seek a primary listing for regulatory purposes on the LSE. Jardine proposes that when an international company incorporated outside Hong Kong becomes subject to the primary regulation of an acceptable international regulator, such as the LSE, it should be able to remain listed in Hong Kong on the basis that the Exchange recognises the primacy of the LSE regulations and accordingly it is exempted from similar Hong Kong regulations — the “trading listing” status. Whilst Jardine’s main centre of operations, main trading market and the majority of its shareholders would remain in Hong Kong its main centre for regulation would be the LSE and Bermuda. Jardine has made it clear that it is prepared to seek a voluntary withdrawal of its listing on the Exchange unless its proposal is accepted by the Exchange and the SFC.
- 3.4 Jardine has also sought to obtain exemption from the Hong Kong Code on Takeovers and Mergers with effect from three years after qualifying for the “trading listing” status. On the other hand, Jardine proposes that such “exempt” companies would continue to be subject to Hong Kong legislation applicable to overseas incorporated listed companies.
- 3.5 The Jardine proposal to seek a primary listing on the LSE represents the third stage in a process as follows:—
- Incorporation of a holding company outside Hong Kong.
 - Expansion of business interests outside Hong Kong and listing on overseas stock exchanges.
 - Reconsideration of the status of their listing in Hong Kong.
- 3.6 This paper does not attempt to discuss the merits or logic of Jardine’s arguments regarding the potential prejudicial effect of Hong Kong’s non-statutory regulations in the future. However, the Exchange nonetheless has a responsibility to study carefully any issue, such as the threatened delisting of several companies, which may affect the development of, and confidence in, Hong Kong’s securities market. This paper seeks only to address the listing rules aspects of Jardine’s proposal.

4. POSSIBLE ACTION

- 4.1 The Exchange is now facing the practical challenge of accommodating the move towards globalisation within its listing rules. Appendix 1 shows the place of incorporation and overseas listings of Hong Kong’s top 20 listed companies and others which have overseas listings. The Exchange believes that there are four possible approaches which would involve:—
- following the existing procedure for secondary listings; or
 - establishing a new “full disclosure listing” status; or
 - establishing a new “trading listing” status; or
 - not changing the existing regime at all.

4.2 If the Exchange decided not to change the existing regime at all then the existing Listing Rules would not be changed and companies would have to choose either to remain listed under the existing regulatory regime or to delist in accordance with the Listing Rules governing a voluntary withdrawal of listing. The Exchange considers that there is overall benefit to the market in retaining listings of major companies in Hong Kong, notwithstanding the fact that they may choose to have their primary regulation overseas, provided that the current standards of investor protection in Hong Kong can be broadly maintained. These options are discussed below on the basis, therefore, that the Exchange will seek to establish a listing status with a set of general qualifying criteria which is open to any listed company.

4.3 **Secondary listing status**

4.3.1 The situation could simply be treated as a secondary listing within the existing regulatory regime, on the basis that a company will have its primary listing on another recognised exchange. The listing agreement for each company, and therefore the provisions of the Listing Rules to which each would be subject would then be negotiated with the Exchange on a case by case basis, as is the normal procedure for any company seeking a secondary listing in Hong Kong.

4.3.2 **Advantages**

The advantage of this approach is that the existing regulatory regime remains unaltered, thereby avoiding:—

- (i) the provision of what might be regarded as an over-complex framework, in respect of which there may be degrees of overlap and confusion;
- (ii) the suggestion that a new status has been created just to accommodate the demands of one group of companies, notwithstanding that any company meeting the relevant criteria would be eligible.

4.3.3. **Disadvantages**

There are a number of disadvantages, as follows:—

- (i) secondary listing status was not designed for companies that have historically had their primary listing in Hong Kong or where the majority of share trading volume and the majority of shareholders are in Hong Kong and therefore where a significant regulatory role is necessary for the Exchange;
- (ii) in order to obtain a secondary listing in Hong Kong, a company would have to seek a primary listing overseas. The Exchange might then be seen as encouraging companies to seek primary listings elsewhere or even as encouraging delistings from the Exchange;
- (iii) the listing fees payable for a secondary listing are only 25% of the fees payable for a primary listing. This would not reflect the much more significant workload of the Exchange in regulating the share trading, the majority of which would remain in Hong Kong, and is in contrast to the situation for normal secondary listings.

4.4 Full disclosure listing status

4.4.1 Certain companies which have had primary listings in Hong Kong for a number of years could qualify for a regulatory regime based more on full disclosure than on detailed rules. Such a Full Disclosure Listing would rely principally on self-regulation by companies which met the relevant criteria. This approach would require a radical reconsideration of the current basis of regulation and standards would be maintained principally by new statutory sanctions.

4.4.2 A Full Disclosure Listing overrides the traditional concept of primary and secondary listings and the Exchange would not rely on the company being adequately regulated elsewhere. Adequate regulation, having regard to the size and sophistication of the company, would be applied in Hong Kong simply on the basis of continued full disclosure. The new status would be available to all Hong Kong incorporated as well as overseas incorporated companies which were able to meet the necessary criteria.

4.4.3 One of the criteria would be that the companies would need to demonstrate that they were of sufficient calibre and international standing to justify the status and that they did not require detailed rules because they already had systems to ensure, and a track record which proved, that in practice shareholders were adequately protected. Under such a regime the Exchange would not review documentation before it was issued, but instead would rely on the listed company to ensure that all relevant information was included.

4.4.4 If, therefore, the Exchange was completely satisfied with the internal systems and track record of a particular company the result would be self-regulation supported by statutory sanctions, rather than regulation by another exchange.

4.4.5 Disclaimer statement - a new rule

A new disclaimer statement would be needed for documents issued by companies granted this status in order to emphasise that such documents had not been reviewed by the Exchange. This statement would also cover the Exchange against any liability in respect of misleading information included in or material information omitted from the document. The Exchange may also need to consider whether a new disclaimer statement should also be displayed on the trading screen in the case of such listings.

4.4.6 Advantages

The advantages of this approach are as follows:—

- (i) although the status is based on self-regulation, there would still be a role for the Exchange in the remaining regulation through statutory sanctions which would be needed to ensure compliance with the disclosure requirements;
- (ii) the proposal does not require a company to have a primary listing elsewhere and therefore in itself would not encourage Hong Kong listed companies to change domicile and seek an alternative primary listing;
- (iii) the system works well in some developed markets e.g. USA.

4.4.7 Disadvantages

There are also a number of disadvantages, as follows:—

- (i) some may see it as reducing the calibre of Hong Kong's overall regulatory regime, the image of which has recently improved;
- (ii) the status would create a two-tier market, with some companies being subject to less detailed regulation in Hong Kong than others, a situation which may be unacceptable to the market;
- (iii) the proposal is inconsistent with other international exchanges' concepts of primary and secondary listings;
- (iv) the status would depend for its effectiveness on the introduction of statutory sanctions which might take some time to introduce.

4.5 Trading listing status

4.5.1 A new listing status could be established which would be available to all companies already listed in Hong Kong. This would differ from an ordinary secondary listing in that it would recognise that the majority of trading volume and most of the shareholders would be situated in Hong Kong and that there would be a continued substantial regulatory role for Hong Kong. A secondary listing tends to be a prestige listing for a company whose main trading volume is in the home market.

4.5.2 The main qualification for the proposed new status is that the company should be able to show that investors are adequately protected by the regulations imposed on companies which are listed on one or more other recognised exchanges (i.e. the lead regulator) and by its jurisdiction of incorporation. This would normally be evidenced by having a primary listing on another stock exchange which had been recognised for this purpose by the Exchange.

4.5.3 The regulations imposed on companies which are listed on major exchanges offer standards of shareholder protection broadly equivalent to or more onerous than those in Hong Kong. Accordingly, companies would not be seeking a primary listing on such exchanges in order to avoid Hong Kong's standards as in some cases the regime in those markets is more onerous than in Hong Kong. However, the regulations of each jurisdiction may vary according to the place of incorporation of each company notwithstanding that the company has a primary listing on an exchange in that jurisdiction. Thus, the situation for Bermuda incorporated companies with a primary listing on the LSE is different from the situation for a UK incorporated company with such a listing. For example, the UK Code on Takeovers and Mergers does not presently apply to companies which are incorporated outside of the UK (see the Investor Protection Matrix in Appendix 2).

4.5.4 So far the Exchange has only reviewed the regulations imposed on companies which are listed on the LSE in greater detail for this purpose and other exchanges and jurisdictions would have to be reviewed on a case by case basis. Any company seeking this status would have to demonstrate that they would be complying with an internationally acceptable standard of externally monitored regulation and were prepared to safeguard trading and settlement arrangements in Hong Kong.

4.5.5 Hong Kong's regulatory role

Although the Hong Kong Exchange would no longer be the lead regulator of these companies it would still play a major role in their regulation since the majority of trading would remain here. This is in significant contrast to its regulatory role in ordinary secondary listings. For example if trading opens in Hong Kong before the lead regulatory market then the Exchange may have to take the initiative in suspending trading where a disorderly or uninformed market develops before the lead regulatory exchange opens for business. The Exchange will also play a significant role in consulting with the lead regulator and keeping them fully informed. Where the Exchange receives a complaint against a listed company it would pass such a complaint directly to the lead regulator and discuss the appropriate course of action with it. If an investigation is required or the lead regulator is investigating an alleged breach of its listing rules the Exchange would co-operate with the lead regulator to the extent required by the lead regulator. In such cases the Exchange may need to make requisitions on behalf of the lead regulator and provide the listed company with an opportunity to put its case at a meeting of the Listing Committee. On the other hand, under such a status the Exchange would not normally review documents and would rely on the overseas regulatory authority, as the lead regulator, to do so or to have in place a system that offered equivalent protection. However, the lead regulator may request information from the Exchange or request the Exchange to raise requisitions with a listed company on its behalf. There would therefore need to be specific agreements between the Exchange and the lead regulator on matters such as suspension policy, the release of information, settlement procedures, the approval of disclosure documents, the granting of waivers and the monitoring of compliance with the lead regulator's rules. The amount of work involving the Exchange's Listing Division and staff would therefore be substantial.

4.5.6 Criteria for status

If it is incorporated in, and subject to, the laws of a third country which is not the country in which the lead regulatory exchange is situated, the laws and regulations of this jurisdiction must also be acceptable to the Exchange.

The criteria which are relevant for demonstrating suitability for this status are as follows:—

(a) *Adequate recognised regulation*

The company must already have adequate regulation on an exchange or exchanges recognised for this purpose by the Exchange and which is acceptable as the lead regulator to the Exchange. Acceptability would be assessed on a case by case basis depending on the exchange(s) and/or the jurisdiction in which the regulation is imposed. The Exchange will not regard an exchange which is in exactly the same time zone as Hong Kong as suitable for recognition for this purpose. One of the key features of a trading listing is that it aims to keep the central trading market in Hong Kong, improving liquidity and thus providing a better market for investors than if it were fragmented. If exchanges in the same time zone are permitted to be lead regulators of Hong Kong listed companies then a significant volume of business could potentially flow away from the Hong Kong market.

(b) *Hong Kong listing*

The company would need to have had a previous primary listing in Hong Kong, but it need not be incorporated in Hong Kong. Such companies should also be in good standing with the Exchange and the SFC.

(c) *Trading and Settlement*

The company would need to provide trading and settlement arrangements in Hong Kong which are at least as efficient and cost effective to investors as those already existing in Hong Kong.

(d) *Listing Rules and Agreement*

To provide greater detail on how such a regime would operate the Exchange has drafted some proposed new listing rules. The proforma Listing Agreement and draft rules for the “trading listing” status are set out in Appendices 3 and 4. This agreement would provide for the trading and settlement arrangements mentioned above as well as the requirements for disclosure of information by the company to the Exchange and the Hong Kong market.

(e) *Takeover Code*

A separate consultation exercise will take place on whether, and if so, to what extent, the Hong Kong Code on Takeovers and Mergers should apply to a company with a “trading listing” status. The draft Listing Agreement contains an undertaking that the company will comply with the Takeover Code, to the extent that such Code applies to the company.

4.5.7 Listing fees

It is proposed that the listing fees for the new status would be the current rate for a primary listing as set out in the Listing Rules. The Exchange, as the regulator of the market in which the majority of trading occurs, will still have a significant amount of work in carrying out its regulatory role.

4.5.8 Disclaimer statement — a new rule

A new disclaimer statement would be needed for documents issued by companies granted this status to emphasise that such documents had not been reviewed by the Exchange. This statement would also cover the Exchange against any liability in respect of misleading information included in or omitted from the document. The Exchange may need to consider whether a new disclaimer statement should also be displayed on the trading screen in the case of such listings.

4.5.9 Memorandum of understanding between the lead regulator and the Exchange

A memorandum of understanding (MOU) must be entered into between the lead regulator and the Exchange covering the following topics:—

- suspension policy
- release of information
- settlement procedures
- approval of disclosure documents
- the granting of waivers, where consultation by the lead regulator with the Exchange would be desirable
- the monitoring of compliance with the lead regulator's rules; the Exchange is willing to be obliged to assist the lead regulator in this function.

As the majority of trading will remain in Hong Kong, the Exchange will still retain a significant role in the regulation of the company, as set out in paragraph 4.5.5 above.

As a result of discussions with representatives at the LSE and from the Exchange's own studies and investigation which are detailed in Appendix 2, the Exchange considers that the UK is an acceptable regulatory environment and understands that the LSE is prepared to enter into an appropriate MOU.

4.5.10 Future rule changes

It has been proposed that a trading listing should not be subject to future rule changes unless the company agrees to comply with the new or changed rule. Such a provision could significantly restrict the Exchange if a regulatory concern arises in Hong Kong which is not shared by the lead regulator (i.e. if the lead regulator is unwilling to act to prevent an act or practice which is perceived as an abuse in Hong Kong but not by the lead regulator). However, if a company resists a significant rule change in Hong Kong which is not imposed by the lead regulator, the Exchange would be able to revoke the company's trading listing or cancel the company's listing altogether, on the basis that the Exchange would no longer be satisfied that the company continued to be subject to adequate regulation. Therefore, the Exchange believes, on balance, that the primary regulatory role should rest with the lead regulator in such circumstances and additional Hong Kong rules should normally only be imposed where the company consents to those new rules. On the other hand, the Securities and Futures Commission has indicated to the Exchange that, at the moment, it would be likely to disallow such a provision, unless further arguments can be advanced to justify it.

4.5.11 Shareholders' approval for new status

As the trading listing status will only be available to companies with a current primary listing in Hong Kong the change in regulatory status will be a significant event for the company. In accordance with the principles applied to a delisting under new Listing Rules 6.05 and 6.06, the Exchange believes that a switch to a trading listing status should be approved by ordinary resolution of the shareholders at a general meeting, with all shareholders voting.

4.5.12 Prospectus vetting

Although the Exchange would not normally vet documents issued by a company with a trading listing status, as it will rely on the lead regulator to do so, any prospectus (as defined in the Companies Ordinance) which is issued in Hong Kong must be reviewed.

This statutory review is currently conducted by the Registrar of Companies. It is however intended that this function should be transferred to the Exchange in the near future. If the Exchange becomes the authority charged with vetting Companies Ordinance prospectuses for listed companies, it would have to pre-vet all prospectuses issued in Hong Kong to ensure that they comply with the Ordinance.

4.5.13 Advantages

The advantages of this approach are as follows:—

- (i) the “Trading Listing” proposal recognises the growing trend to internationalisation of securities trading and regulation;
- (ii) the trading listing status, with its acceptance of adequate regulation elsewhere, would accommodate the concerns expressed by Jardine regarding the implications of the future constitutional changes in Hong Kong, without compromising the protection of investors;
- (iii) the proposal recognises that a company whose volume trading and majority of investors remain in Hong Kong should not be treated as a straight “secondary” listing simply because it announces that its primary regulation will be moved elsewhere. The Exchange would still retain its responsibility for monitoring the market;
- (iv) the proposal avoids duplicating the regulations which apply to international companies.

4.5.14 Disadvantages

There are also a number of disadvantages, as follows:—

- (i) the proposal has some of the disadvantages identified under the “Full Disclosure” listing status proposal. It may be perceived as creating a special status to accommodate the demands of one company, leading to an unnecessary increase in the number of different types of listing;
- (ii) although there is a clear difference in theory, in practice a company with this status may be perceived as not being treated in any materially different way from one which has a secondary listing on the Exchange and has negotiated an appropriately amended Listing Agreement. The only way in which the Exchange would be able to prevent companies from electing to choose a secondary listing (with its lower listing fees) rather than a trading listing status would be to impose an arbitrary rule that companies that previously have had a primary listing in Hong Kong cannot apply for a secondary listing (at least for a period of time);

- (iii) the proposal may encourage companies to change domicile and seek primary listings on other exchanges to gain this special status;
- (iv) the proposal involves the negotiation of a suitable MOU with the lead regulator. Although the Exchange has no reason to anticipate problems in any of the regimes with which it is familiar it is possible that a lead regulator may not always be willing to co-operate fully with the Exchange.

5. INVESTOR PROTECTION

5.1 The major concern for the Exchange in adopting any new listing status is whether investors using the Hong Kong market would still be adequately protected. It has been argued that where regulations are more onerous than, or at least equivalent to, the Hong Kong rules, such as in the UK, investors will have the same amount of protection, the only difference being in the party providing the regulation. In order to assess this assertion the Exchange has prepared a detailed analysis of the relevant investor protections currently available in Hong Kong (including general listing criteria) in respect of Hong Kong companies on the Exchange and compared this with the protection available in the United Kingdom in respect of UK companies listed on the LSE.

5.2 Where companies are not incorporated in the UK however, they are not subject to some of the investor protections provided by the Companies Acts and other legislation in the UK. The Exchange has therefore analysed these areas and established the way in which the LSE will deal with them and the undertakings which the LSE will require from these companies. Full details of the Exchange's analysis are set out in Appendix 2. The Exchange will conduct a similar analysis of other proposed jurisdiction(s) of lead regulation as the need arises.

5.3 In accommodating any proposal for the creation of a new listing status, the Exchange believes that the critical consideration will be whether the protection afforded to investors under the proposed new regime is substantially equivalent to that which is currently given to investors of Hong Kong listed companies or otherwise provides adequate protection. Appendix 2 shows an investor protection matrix which, in column 2, identifies those provisions of the regulatory regime in Hong Kong (principally statute, common law and the Listing Rules and Listing Agreement) which serve to protect the position of investors. The principal provisions are highlighted below.

5.4 Companies Ordinance

5.4.1 The Companies Ordinance sets out many of the respective rights and obligations of shareholders in a Hong Kong incorporated company. It also provides for the management and internal organisation of such a company (e.g. notice periods for meetings etc.). These provisions do not apply to overseas incorporated companies. However, the Companies Ordinance also regulates the offering of shares in a company to the public in Hong Kong, irrespective of where the company is incorporated. Any company offering shares to the public in Hong Kong must file a prospectus with the Registrar of Companies and the prospectus must disclose the information prescribed by the Third Schedule to the Ordinance. Investors are thereby ensured of adequate disclosure of information in the offering document. Where an offeror acquires over 90% of a company's shares by way of a general offer the Companies Ordinance protects the remaining minorities by giving them a right to require the offeror to purchase their shares as well.

5.5 Common law

5.5.1 Under the common law shareholders are protected by the requirements that:—

- directors must act bona fide in the interest of the company and must discharge their fiduciary duties;
- the issuers of a prospectus which is inaccurate may be liable if the inaccuracies arise from fraudulence or negligence on their part; and
- the majority may not abuse the minority so that an individual member may bring a derivative action where there has been a “fraud on the minority”.

5.6 Securities (Disclosure of Interests) Ordinance

5.6.1 As from 1 September 1991 the Securities (Disclosure of Interests) Ordinance enables companies listed on the Exchange and investors in such companies to establish which shareholders hold over 10% of the issued share capital and the extent of the directors' interests in the company.

5.7 Securities (Insider Dealing) Ordinance

5.7.1 As from 1 September 1991 the Securities (Insider Dealing) Ordinance prevents directors and shareholders who are in possession of privileged information from making a profit (or avoiding a loss) by exploiting that information before it is made available to the public.

5.8 Securities Ordinance

5.8.1 The Securities Ordinance regulates the way in which intermediaries can market securities to investors and sets minimum capital requirements for such intermediaries. In addition, this Ordinance makes it an offence for a person to manipulate the price of listed securities or to create a false or misleading appearance of active trading in any listed securities.

5.9 The Listing Rules

5.9.1 The Exchange's Listing Rules are designed to protect investors' rights by ensuring that:—

- applicants are suitable for listing;
- the issue and marketing of securities is conducted in a fair and orderly manner and that potential investors are given sufficient information to enable them to make a properly informed assessment of an issuer;
- investors and the public are kept fully informed by listed issuers — and in particular that immediate disclosure is made of any information which might reasonably be expected to have a material effect on market activity in, and the prices of, listed securities;

- all holders of listed securities are treated fairly and equally;
- directors of a listed issuer act in the interests of its shareholders as a whole, particularly where the public represents only a minority of the shareholders; and
- all new issues of equity securities by a listed issuer are first offered to the existing shareholders by way of rights unless they have agreed otherwise.

5.9.2 In these last four respects, the Listing Rules seek to secure for holders of securities, other than controlling interests, certain assurances and equality of treatment which their legal position might not otherwise provide. For example, in the case of some Notifiable Transactions (especially in connected transactions) and in the pre-emption provisions, the Listing Rules require the directors to obtain the prior approval of shareholders, and sometimes that of the independent shareholders alone, in circumstances in which the Companies Ordinance would not so require.

5.9.3 The Listing Rules improve the quality and quantity of information available to investors by requiring companies to disclose price-sensitive information whenever it occurs and to make regular announcements of annual and six monthly figures (interim reports are not otherwise required under the Companies Ordinance).

5.10 **Non-statutory Codes**

5.10.1 The SFC has issued non-statutory codes which regulate takeovers and mergers (the Hong Kong Code on Takeovers and Mergers), share buybacks (the Hong Kong Code on Share Repurchases) and the authorisation of collective investment schemes (the Code on Unit Trusts and Mutual Funds).

6. **OFFICIAL VIEWS**

6.1 On the 24th April 1991, Hong Kong's Legislative Council (Legco) debated the "trading listing" request made by the Jardine group to the regulatory authorities. The motion was carried with two abstentions. The motion proposed for consideration by the Governor was "that this Council strongly urges the Government to ensure that when requests by groups of publicly listed companies for special exemption from statutory, regulatory or listing requirements governing all listed companies in Hong Kong are considered, the important principles of investor protection, fairness and equity be upheld without fear or favour" (source: OMELCO).

6.2 In summary, the main concerns expressed during the debate were:—

- that the interests of small minority shareholders might be damaged by perceived shortcomings in the multi-jurisdictional regulatory approach, particularly with regard to the loss of investor protection through the potential absence of compliance with any takeover code in the future;
- that the regulatory authorities will have been seen to sacrifice the integrity of Hong Kong's markets due to the pressure from one large corporate group; and
- that such exemptions might lead to Hong Kong being considered under-regulated by international standards.

- 6.3 It was generally recognised however that Hong Kong is in a transitional phase and there is a need for Hong Kong to accommodate global trends, with the regulators being prepared to consider new ideas provided that adequate regulation can be maintained. Flexibility has always been Hong Kong's strength.
- 6.4 The Secretary for Monetary Affairs and the SFC have also stated publicly that any exemptions to be granted will be considered on the basis of three principles:—
- that there is adequate protection for investors;
 - that regulatory standards of control are not lowered; and
 - that there would be equal treatment to all.

The Exchange totally supports these principles and believes that this paper encompasses those sentiments.

7. IMPLICATIONS IF NO CHANGES ARE MADE TO ACCOMMODATE CURRENT TRENDS

7.1 Implications for the Stock Market

- 7.1.1 The most likely immediate effect of a failure to accommodate current trends would be the delisting of one or more of the Jardine group companies. A delisting by all five Jardine group companies might result in an immediate 9.04% fall in Hong Kong's total market capitalisation (based on 30th August 1991 figures). Recent figures provided by Sun Hung Kai Research (31st August 1991 "Asia Weekly Focus"), and the end of July 1991 data supplied by the Taipei Stock Exchange give the following regional market capitalisation rankings:—

Rank	Market Capitalisation (US\$bn)	Country
1	129.2	Taiwan
2	111.6	Hong Kong
3	53.4	Malaysia
4	52.3	Singapore
5	33.2	Thailand
6	7.7	Indonesia
	7.7	Philippines

- 7.1.2 A reduction of the magnitude envisaged could result in Taiwan substantially increasing its lead over Hong Kong as the region's largest market. The effect on the Hang Seng, HK and All Ordinaries Indices of a withdrawal of five constituent stocks is analysed in detail in a paper attached as Appendix 5.

- 7.1.3 Once trading had been lost to Hong Kong, it would be very difficult to retrieve. This has been demonstrated in other markets, particularly in Europe. Tables illustrating the comparative turnover of Jardine stocks on overseas exchanges are contained in Appendix 6.
- 7.1.4 The LSE operates a price collection and dissemination system for major international stocks, SEAQ International. The system provides bid and offer quotations from London based international market makers in a wide range of stocks, many of which are only listed overseas. Recently, London has traded a significant proportion of the daily turnover in the stocks of its European neighbours, (e.g. in 1990, SEAQ International turnover as a percentage of domestic turnover was 26.7% for France, 12.2% for Germany, 11.7% for Italy, 50.3% for the Netherlands, 18.7% for Spain, and 25.8% for Switzerland) and in the case of many Scandinavian companies it is doing more business than the domestic exchanges. Another example can be seen in the European futures markets, where again London, via the London International Financial Futures Exchange (LIFFE), has captured business in the futures contracts based upon German government bonds away from its natural home market.
- 7.1.5 Under recent EC directives on Investment Services, and on Mutual Recognition of Listing Particulars, European regulators will soon be facing a similar situation to Hong Kong regulators, whereby they will have to consider the listing of securities which are deemed to be adequately regulated by the overseas authorities in the company's country of incorporation.
- 7.1.6 International links like the National Association of Securities Dealers (NASD) and the Stock Exchange of Singapore (SES) via the NASDAQ/SESDAQ arrangement also facilitate the trading of domestic shares in overseas markets, often when the domestic market is closed.
- 7.1.7 In the U.S. foreign shares are normally traded as American Depositary Receipts (ADRs) to comply with the Securities Exchange Act of 1934. The Act restricts the marketing to the public of foreign securities which are not fully registered with the Securities and Exchanges Commission (SEC), but it allows institutions to hold such securities and then to issue negotiable receipts representative of the underlying outstanding securities of the overseas entity. Five of the Jardine group companies are now traded in the United States through a sponsored ADR programme.
- 7.1.8 The current trend towards international regulatory liberalisation and the move towards globalisation of trading, means that cross-border listings and trading are becoming more prevalent. This is certainly likely to have an impact on Hong Kong in the near future.
- 7.1.9 One obvious place for trading to migrate to is another exchange in the same time zone as Hong Kong. The increased trading in the Jardine group companies on the LSE, however, shows that trading can also be lost to another time zone. This demonstrates that no stock exchange can afford to ignore international trends as it is becoming increasingly easy for companies to arrange for trading to move elsewhere. The potential loss of trading to other financial centres would be aggravated if Hong Kong does not remain competitive in terms of dealing costs (e.g. stamp duty, commissions and levies), order execution and clearing and settlement efficiency and if it does not seek to maintain general investor confidence in Hong Kong.

7.2 Financial implications

7.2.1 If the Jardine group of companies chose to delist, there would be clearly identifiable short term financial losses as follows:—

- on the basis of the 1990 turnover of \$20,198,710,000, a loss of trading in Jardine group shares would result in a loss of approximately HK\$100,993,550 in stamp duty revenue per year (based on the new rate of 0.5%), a loss which will be magnified if any other companies follow the Jardine group's lead;
- the Exchange would lose a total of some HK\$1,874,800 in annual listing fees; and
- the Exchange would, on the basis of the Jardine group's contribution in 1990 to total turnover by value and total volume by numbers of shares (respectively 7% and 0.86%), lose some HK\$2,524,961 in transaction levy receipts. Losses to the Exchange could have a negative impact on its future development and thus on the Hong Kong market generally.

These short-term losses may be offset by international investors re-weighting their portfolios to include other Hong Kong stocks and Hong Kong investors disinvesting in Jardine group companies and reinvesting in other Hong Kong stocks, but the effects of this cannot be quantified in advance.

8. CONCLUSION

8.1 The Exchange has considered in detail the situation of Hong Kong listed companies who are seeking to move their lead regulation overseas but whose shareholders and trading volume remain substantially in Hong Kong. The Exchange has borne in mind the following:—

- it is essential to maintain Hong Kong as a key financial centre and to maintain confidence in the territory as a whole;
- any new listing provisions or status must be available to all companies who can meet the requirements; and
- investors must continue to enjoy at least the same level of protection as they do now.

The Exchange has reviewed all of the approaches outlined above and will consider the comments of market participants before making a final decision on the course of action it will take, which must have market support.

8.2 The Exchange therefore invites market participants to submit comments in writing on any matter discussed in this document. In particular the Exchange requests comments on the following specific questions:—

- If a new trading listing status is introduced are there likely to be significant "knock-on" effects that in the long term will be detrimental to the development of Hong Kong as a financial centre?

- Is the concept of an overseas “lead regulator” for companies whose main trading market is in Hong Kong, as proposed in the form of a new trading listing status, suitable for Hong Kong?
- If the concept of overseas “lead regulation” is applied to companies whose main trading market is in Hong Kong, would this be seen as reflecting a lack of confidence in the integrity of Hong Kong’s securities regulatory framework and, for that reason, have a detrimental effect on international perceptions of Hong Kong as a securities market?
- If a trading listing status is suitable for Hong Kong are the draft rules and listing agreement set out in Appendices 3 and 4 appropriate?
- Is it appropriate to provide that a company listed with a trading listing status would not be subject to future listing rule changes unless the company agreed to comply with the new or changed rule?

Comments should be sent to the Deputy Chief Executive, The Stock Exchange of Hong Kong Limited., 36/F Jardine House, 1 Connaught Place, Hong Kong and should arrive not later than close of business on 8 November 1991.

APPENDIX 1

**The 20 Leading Hong Kong Listed Companies
(in terms of Market Capitalisation as at the end of April 1991)**

APPENDIX 1

The 20 Leading Hong Kong Listed Companies in terms of Market Capitalisation as at the end of April 1991

Rank	Company	Place of Incorporation	Other listings to date
1	HK Telecommunications Ltd	HK	traded on SEAQ Int, USA (ADRs)
2	Hutchison Whampoa Ltd	HK	traded on SEAQ Int
3	HK & Shanghai Banking Corp. Ltd.	England and Wales	LSE, traded on SEAQ Int
4	Cheung Kong (Holdings) Ltd.	HK	traded on SEAQ Int
5	China Light & Power Co. Ltd.	HK	traded on SEAQ Int
6	Sun Hung Kai Properties Ltd.	HK	—
7	Hang Seng Bank Ltd	HK	—
8	Swire Pacific Ltd	HK	—
9	Cathay Pacific Airways Ltd.	HK	traded on SEAQ Int
10	HK Electric Holdings Ltd.	HK	—
11	HK Land Holdings Ltd	Bermuda	Luxembourg, LSE, Australia, Singapore traded on SEAQ Int, USA (ADRs)
12	Jardine Matheson Holdings Ltd.	Bermuda	Luxembourg, LSE, Australia, Singapore, traded on SEAQ Int, USA (ADRs)
13	Dairy Farm Int'l Holdings Ltd.	Bermuda	Luxembourg, LSE, Australia, Singapore, traded on SEAQ Int, USA (ADRs)
14	Wharf (Holdings) Ltd	HK	—
15	The Henderson Land Dev. Co. Ltd.	HK	—
16	New World Development Co. Ltd.	HK	—
17	The Jardine Strategic Holdings Ltd.	Bermuda	Luxembourg, LSE, Australia, Singapore, USA (ADRs)
18	HK & China Gas Co Ltd	HK	—
19	Cavendish Int'l Holdings Ltd.	HK	traded on SEAQ Int
20	World Int'l (Holdings) Ltd.	HK	—

Of the remaining approximately 280 listed companies only the following have so far obtained a separate listing on another exchange:—

Company	Place of Incorporation	Other listing(s)
Burwill Holdings Ltd.	Bermuda	Singapore
C.P. Pokphand Co. Ltd.	Bermuda	LSE
Cable & Wireless Plc.	England & Wales	LSE*, Tokyo, Frankfurt, Zurich, Basle, Geneva, New York
CDL Hotels Int. Ltd.	Cayman Islands	Amsterdam
China & Eastern Investment Co. Ltd.	Hong Kong	LSE*
FAI Insurances Ltd.	Australia	LSE, Australia*, Singapore, Toronto, Zurich, New Zealand, Geneva, Basle, New York
Far East Hotels & Entertainment Ltd.	Cayman Islands	Paris
First Pacific Co. Ltd.	Bermuda	Amsterdam, Luxembourg
Haw Par Brothers International Ltd.	Singapore	Singapore*
Hong Fok Corporation Ltd.	Singapore	Singapore*
IMC Holdings Ltd.	Bermuda	Singapore
Jardine Matheson (Finance) Ltd.	Hong Kong	LSE
Malaysian Emerging Companies Fund Ltd.	Jersey	LSE*
Mandarin Oriental International Ltd.	Bermuda	LSE, Australia, Singapore, Luxembourg, USA (ADRs)
News Corporation Ltd.	Australia	LSE, Australia*, Tokyo, New York, Paris, Amsterdam, New Zealand
Scottish Asian Investment Co. Ltd.	Jersey	LSE*
United Overseas Bank	Singapore	Singapore*

* Denotes the company's primary listing exchange (i.e. these are companies which were already listed overseas before seeking a secondary listing on the Exchange).

APPENDIX 2

CONSIDERATION OF THE UNITED KINGDOM AS AN ACCEPTABLE REGULATORY ENVIRONMENT

This section outlines the regulatory requirements of the UK.

It is envisaged that a similar exercise would be carried out in respect of any other jurisdiction which is proposed as the lead regulator for a trading listing on the Exchange.

APPENDIX 2

Consideration of the United Kingdom as an acceptable regulatory environment

1. SUMMARY OF THE REQUIREMENTS OF THE LSE LISTING RULES (SECTION 5 CHAPTER 2 OF “ADMISSION OF SECURITIES TO LISTING” — THE “YELLOW BOOK”)

NOTE: SOME OF THE YELLOW BOOK CONTINUING OBLIGATIONS DO NOT APPLY TO COMPANIES WHICH ARE INCORPORATED OUTSIDE THE UK. IN THE CASE OF JARDINE THE LSE HAS RECEIVED UNDERTAKINGS FROM JARDINE THAT IT WILL COMPLY WITH EQUIVALENT PROVISIONS OR SLIGHTLY MODIFIED PROVISIONS IN THESE LIMITED AREAS. FULL DETAILS ARE SET OUT IN THE MATRIX BELOW

1.1 *Introduction*

1.1.1 The Yellow Book Continuing Obligations are a set of on-going requirements which the directors on behalf of a listed company must fulfill if the company is to retain a listing for its shares. Within these obligations are a number of provisions designed to afford investors a minimum level of information and protection.

1.1.2 One of the principal objects of the Continuing Obligations is to ensure the immediate release of information which might reasonably be expected to have a material effect on market activity in, and prices of, listed securities.

1.1.3 Where a company has a multiple listing with its primary listing on LSE, information must be released simultaneously through LSE’s Regulatory News Service (“RNS”) on the other relevant exchanges.

1.2 *General*

1.2.1 The company must notify all the stock exchanges on which its securities are listed with any information necessary to enable all shareholders and the public to appraise the position of the company or to avoid the establishment of a false market. Such information must not normally be passed to a third party until after the announcement has been published. These provisions are designed to enable all investors to have equal access to price-sensitive information and to reduce the opportunity for insider dealing.

- 1.2.2** When the company issues further securities of the same class as those already listed, its directors must apply to have them listed within one month of allotment, thus allowing them to be traded.
- 1.2.3** A company whose securities are also listed on other exchanges must ensure that equivalent information is made available to the market at the LSE and each of the other exchanges.
- 1.2.4** In addition, all shareholders of any given class of share or debt security must be treated equally in terms of the rights attached to the issue (e.g. voting rights, receipt of dividends, etc.), unless there are terms which expressly state otherwise.

1.3 Public Announcements

- 1.3.1** The company must notify any major new developments in its sphere of activity which are not public knowledge and which by virtue of their effect on its assets and liabilities or financial position or on the general course of its business, may lead to substantial movements in the price of its shares.
- 1.3.2** The company must publicly announce in advance the dates of any board meetings at which any declaration or recommendation or payment of dividends is decided, or at which any profit and loss figures, are due to be approved. Similarly, once dividend and profit/loss decisions have been made, they should be announced.
- 1.3.3** A company having listed debt securities in issue must notify any new issues of debt securities and, in particular, any guarantee or security thereof. The company is also obliged to announce publicly any decision to change the capital structure of the company. The same applies to decisions on the drawing or redemption of any listed securities, to changes in the rights attached to any class of listed security (including a revision in the interest paid on debt securities), and to the basis upon which securities are allotted to the public and shareholders under cash and open offers.
- 1.3.4** The directors are also required publicly to announce and in certain instances obtain shareholders' approval to transactions involving the acquisition and realisation of assets. For this purpose transactions are divided into six categories (super Class 1, Class 1, Class 2, Class 3, Class 4, and very substantial acquisitions or reverse take-overs) depending, principally, upon what effect they will have on the company's balance sheet.

The degree of disclosure and shareholder approval required will depend upon the size of the transaction measured by reference to the company's net asset value and net profits.

- 1.3.5** Any information which is required to be disclosed to the LSE under the provisions of The City Code on Takeovers and Mergers, must be notified.
- 1.3.6** In the case of a United Kingdom company, any information notified to the company under Part VI of the Companies Act 1985 (i.e. disclosure of interests) must be notified. In the case of companies not subject to the Companies Act, equivalent information must be notified.

- 1.3.7** The company must notify the LSE of any interests in the company held by directors and their associates in accordance with the London “Model Code For Securities Transactions By Directors of Listed Companies”.
- 1.3.8** Generally, any proposal by a company, or by a member of the group to which it may belong, to repurchase listed securities must be notified to the LSE. Before any such purchase can occur, the company must obtain general or specific authorization from shareholders at a shareholders’ meeting, the outcome of which must also be notified. Details of the repurchases, when made, must also be notified to the LSE.
- 1.3.9** Should a proposed share repurchase involve 15% or more of the company’s share capital, then it would be obliged to release a Class 1 circular to shareholders. Any purchase involving a Class 4 party, must be treated as a Class 4 transaction. This would require shareholders’ approval to purchases from directors, shareholders with 10% or more of the company’s share capital (or of any other group company) or persons who held such interests within the preceding 12 months, and “associates” (as defined in the Yellow Book) of any of the aforementioned.
- 1.3.10** Any change in the status of the company for taxation purposes must be notified.
- 1.3.11** Any board decision to change the general character or nature of the company’s business or that of the group must also be notified.

1.4 Annual Accounts

- 1.4.1** The company must issue a consolidated set of annual accounts within six months of the end of the financial year, and the accounts must provide a true and fair view (or acceptable equivalent for non UK companies) of the state of affairs and profit or loss of the company. The report should include statements by the directors drawing attention to any significant departures from applicable standard accounting practices, any material difference between forecast and actual trading results, a geographical breakdown of non-UK net turnover and contribution to trading results, plus identification of the principal countries in which the company and/or its subsidiaries operate.
- 1.4.2** The accounts must show details of the financial position of the company and of the interests in the company held by the company’s directors, their associates, and by any other shareholders holding 3% or more of the share capital of the company.
- 1.4.3** There are also disclosure requirements relating to:—
- (i) significant contracts between the company and/or its subsidiaries and other entities;
 - (ii) associated companies (20% or more of share capital to be held);
 - (iii) indebtedness;
 - (iv) waivers of emoluments and dividends;
 - (v) share issues not made pro-rata to shareholders; and

(vi) details of directors' service contracts, emoluments and of non-executive directors.

1.4.4 Similar arrangements exist with regard to the provision of Half Yearly Reports and Preliminary Profits Statements for the full year.

1.5 Settlement

1.5.1 The Company must provide suitable arrangements for the transfer of ownership of its securities.

1.5.2 Transfers and other documents must be registered without payment of any fee.

1.5.3 Certificates must be issued without charge within:—

(a) one month of the date of expiration of any right of renunciation; or

(b) 14 days of the lodgement of transfers.

1.5.4 Designated accounts must be arranged if requested by holders of securities.

1.5.5 Where warrants to bearer have been issued or are available for issue, (a) certificates must be exchanged for warrants (and vice versa, if permitted,) within 14 days of the deposit of the warrants (or certificates) and (b) transfers must be certified against the deposit of warrants on the day of deposit or, if that is not a business day, on the first business day following deposit.

1.6 Communications with Holders of Listed Securities

1.6.1 The company must submit, via its sponsoring member firm, all proposed shareholder circulars, notices and proxy forms to the Listing Department of the LSE for approval before publication (except Class 1 circulars without listing particulars).

1.6.2 Whenever shareholders are sent a notice of meeting which includes any business, other than routine business at an annual general meeting, an explanatory circular must accompany the notice or, if the business is to be considered at or on the same day as an annual general meeting, an explanation must be incorporated in the directors' report.

1.6.3 Any proposed increase in the authorised share capital of the company should be accompanied by a statement from the directors as to whether there is any intention to issue any part of it; if the increase would result in 10% or more of the voting stock remaining unissued, a statement is to be added that no issue will be made which would effectively alter the control of the company without first seeking shareholder approval.

1.6.4 The company must ensure that the necessary facilities and information are available to enable holders of its securities to exercise their rights. In particular, it must inform holders of meetings which they are entitled to attend.

1.6.5 The company must appoint a registrar and/or, where appropriate, a paying agent in the United Kingdom unless the company itself performs these functions.

- 1.6.6 The company must send proxy forms, with provision for two way voting on all resolutions to be proposed.
- 1.6.7 Airmail must always be used when communicating with overseas holders of listed securities.
- 1.6.8 When a foreign company sends a circular to holders of a listed security at an address in the United Kingdom it must be in the English Language.

1.7 Directors

- 1.7.1 The company must inform shareholders and the LSE immediately of any change in its directorate and should make the details of all directors' service contracts with a duration of more than one year freely available for inspection at the registered office.
- 1.7.2 The company must adopt rules governing dealings by directors in the listed securities of the company in terms no less exacting than those of the model code issued by the LSE.

1.8 Pre-emption Provisions

- 1.8.1 Unless shareholders otherwise permit, a company proposing to issue securities having an equity element for cash must offer those securities to existing equity shareholders in proportion to their existing holdings.
- 1.8.2 Section 89(1) of the Companies Act 1985 imposes on UK companies requirements giving effect to this principle of pre-emption. The provisions of Section 89(1) may be disapplied under Section 95 of the Act. The Yellow Book, however, also limits the extent to which shareholders of a company may give their authorisation under Section 95 to the general disapplication of the Section 89(1) requirements, to a fixed period.

1.9 Foreign Incorporated Companies with a primary listing in the UK

- 1.9.1 Foreign companies with a primary listing on the LSE must comply with the Continuing Obligations of Chapter 2.1 of the Yellow Book. It should be noted that although certain of the obligations are based on United Kingdom law, foreign companies must nevertheless comply so far as the information available to them enables them to do so. In those areas where the Yellow Book Continuing Obligations do not apply to Jardine (because it is incorporated in Bermuda) the LSE has received undertakings from Jardine that it will comply with equivalent provisions or slightly modified provisions. These limited areas are highlighted in the matrix set out below.
- 1.9.2 Where a company has a multiple listing with its primary listing on the LSE and wishes to make an announcement during RNS operational hours the responsibility rests with the company to time and control the release of the announcement so that it is simultaneously released through RNS and on the other relevant exchanges.

2. OTHER RELEVANT INVESTOR PROTECTION PROVISIONS IN THE UK

2.1 *Financial Services Act*

This Act (and regulations made or to be made under it) now contains the former Companies Acts provisions concerning the offering of securities to the public in the United Kingdom and also regulates the issue and circulation of investment materials. The Act's requirements in relation to these matters apply, with modifications, to non-UK incorporated companies offering securities or issuing investment materials in the UK as they do to UK companies.

2.2 *Companies Securities (Insider Dealing) Act 1985*

This Act imposes criminal liability for its breach. As its name suggests, the Act is concerned with the misuse by "insiders" of unpublished price-sensitive information. A person who has such information concerning a company is prohibited from dealing in its securities on the LSE (or other recognised exchange in the UK) and may not communicate that information to another person or in any way advise or encourage another person to deal in those securities (either on a UK exchange or a foreign exchange). The Act applies to dealing in the securities of both UK and non-UK incorporated companies.

2.3 *PRONED Guidelines and IPC Guidelines*

These are non-statutory guidelines which, as a matter of best practice, should be observed by all companies listed on the LSE.

The PRONED Guidelines are concerned with the appointment and role of non-executive directors on the boards of listed companies, whilst the IPC Guidelines prescribe, inter alia, the limits within which listed companies may disapply the UK statutory pre-emption provisions and make share repurchases, if they wish to have significant institutional shareholders and the support of such shareholders.

Whilst self-evidently of greatest relevance to UK incorporated companies, any UK listed company would be unwise to disregard these Guidelines entirely, particularly if it had institutional shareholders, or wished to attract such shareholders.

2.4 *Accounting Standards*

This issue is addressed in paragraph 20.1 of the Continuing Obligations and in paragraph 3 of Section 8, Chapter 1 of the Yellow Book. In essence, non-UK incorporated companies listed in the UK must have accounts drawn up which:

- give a true and fair view of the state of affairs and profit or loss of the company or an equivalent standard; and
- comply in all material respects with U.S., UK or International Accounting Standards.

2.5 *The City Code and EC Investor Protection*

The City Code only applies to companies which satisfy the Code's residency test which — broadly — encompasses UK incorporated companies having their head office and place of central management in the UK.

EC investor protection directives could, potentially, apply to non-UK incorporated companies listed in the UK. Each new EC investor protection directive would have to be looked at separately to determine whether it applied to such companies: no general principle can be stated. So far as relevant, directives which can be characterised as "investor protection" in nature are already reflected in UK statute law and call for no separate comment.

INVESTOR PROTECTION MATRIX

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
Company/Securities Laws Provisions				
<i>Memorandum</i>				
— determines scope of business	√	√	√	√
— cannot be changed without special resolution (75% of members present and voting)	√	√	X Can be changed by ordinary resolution (unless bye-laws specify that a special resolution is required). Drafts of the proposed changes must be submitted to the LSE.	X Jardine bye-laws specify that a special resolution is required
— copy filed and available for inspection at Companies Registry	√	√	√	√
<i>Articles/bye-laws</i>				
— define powers of directors etc.	√	√	√	√
— cannot be changed without special resolution	√	√	X Can be changed by ordinary resolution (unless bye-laws specify that a special resolution is required). Drafts of proposed changes must be submitted to the LSE.	X Jardine bye-laws specify that a special resolution is required
— copy filed and available for inspection at Companies Registry	√	√	X	X

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
<i>Share capital/shareholders</i>				
— no reduction of issued capital without special resolution and sanction of court	√	√	X Reduction may be effected by ordinary resolution (see note below)	√ Jardine bye-laws provide that reduction may be effected by special resolution (see note below)
— increase of authorised capital needs ordinary resolution	√	√	√	√
— allotment of shares by directors needs approval of shareholders (which approval, if not given for a specific purpose, expires at each Annual General Meeting) unless offered pro rata (i.e., rights issue)	√ Directors must be empowered by Section 57B of the Companies Ordinance	√ In all cases the directors must be empowered by an ordinary resolution to allot shares under UK law	X No requirement under Bermuda Law. The LSE expects that issues for cash of equity capital, or securities having an equity element made by foreign companies so as materially to dilute the percentage interest of the company's shareholders, will not be made on terms likely to detract significantly from the value of their interests.	X No requirement under Bermuda Law. The LSE expects that issues for cash of equity capital, or securities having an equity element made by foreign companies so as materially to dilute the percentage interest of the company's shareholders, will not be made on terms likely to detract significantly from the value of their interests.
— shares cannot be allotted at a discount to their par value	√	√	√	√

Note: Under Bermuda law:—

- (a) intention to reduce capital must be advertised in an appointed newspaper;
- (b) a declaration of solvency made by at least 2 directors of the company must be sworn; and
- (c) a memorandum of reduction to which (a) and (b) are attached must be filed within 30 days.

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
— premium arising on issue of shares must be applied to share premium account, the uses of which are strictly limited	√	√	√ However on an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. A company may make a distribution to its members out of contributed surplus.	√ However on an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. A company may make a distribution to its members out of contributed surplus.
— redemption of redeemable preference shares is limited	√	√	√	√
— variation of class rights needs class consent	√	√	√	√
— offers of shares to public must meet prospectus requirements	√ HK provisions apply in relation to offer in Hong Kong	√ Plus additional disclosure requirements in relation to publication of listing particulars by listed companies pursuant to the Financial Services Act 1986	√ UK provisions apply in relation to offers in the UK.	√ Bermuda Law requirements are less onerous than in Hong Kong but Hong Kong provisions apply in relation to offers in Hong Kong and UK provisions apply in relation to offers in UK.
— always allowed to appoint a proxy (who need not be a member)	√	√	X Proxy required to be a member unless special act provides to the contrary.	√ Jardine special act provides that proxy need not be a member.

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
— 5 members having the right to vote or a member representing one tenth of the total voting rights are entitled to demand a poll	✓	✓	✓ Only 3 members required.	✓ Only 3 members required
— prohibition of provision of financial assistance by company for purchase of its own shares	✓ UK provisions in course of being introduced in Hong Kong	✓ Provision of financial assistance generally prohibited for public companies although there are certain very limited exceptions	✓ Less flexible than Hong Kong and UK provisions.	✓ Less flexible than Hong Kong and UK provisions
— notice of refusal to transfer shares to be given within 2 months (with reasons in case of transmission)	✓	✓	✓ Notice of refusal to be given within three months (less onerous).	✓ Notice of refusal to be given within 3 months (less onerous)
— the liability of members is limited and cannot be increased (unless fewer than minimum number of members)	✓	✓	✓	✓
— register of members open for inspection	✓	✓	✓	✓
— meeting must be convened on due notice (21 days or 14 days)	✓	✓	X 5 days notice required	✓ Jardine bye-laws provide for 14/21 days notice
<i>Charges</i>				
— void against liquidator or creditor if not registered; register open for inspection	✓	✓	X Registration system is voluntary and only affects priority not validity.	X Registration system is voluntary and only affects priority not validity
<i>Accounts</i>				
— obligation to keep proper books of account	✓	✓	✓	✓

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
— profit and loss and balance sheet each year must show a true and fair view	✓	✓	X Under Bermuda law, auditor's report has to state whether the financial statement presents fairly the financial position of the company and the results of its operations. The LSE requires "in the case of a company incorporated in a non-member state which is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, the latter may be sufficient. Reference, must, however, be made to the Department".	X Under Bermuda law, auditor's report has to state whether the financial statement presents fairly the financial position of the company and the results of its operations. The LSE requires "in the case of a company incorporated in a non-member state which is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, the latter may be sufficient. Reference, must, however, be made to the Department".
— provisions as to content of accounts	✓	✓	✓ The LSE sets out extensive requirements as to the contents of annual reports and accounts.	✓ The LSE sets out extensive requirements as to the contents of annual reports and accounts.

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
— must be sent to and laid before shareholders each year at an annual general meeting	✓	✓ Accounts must be laid before company in general meeting. Summary financial statements instead of full accounts may be sent to members if requested	✓ Under Bermuda law this can be waived, but only by all members and directors in writing or at a general meeting. Under the LSE rules, the annual report and accounts must be issued within six months of the end of the financial period to which they relate. The LSE does not have the equivalent Hong Kong listing rule requirement that the annual accounts must be made up to a date falling not more than six months before the date of its annual general meeting.	✓ Under Bermuda law this can be waived, but only by all members and directors in writing or at a general meeting. Under the LSE rules, the annual report and accounts must be issued within six months of the end of the financial period to which they relate. The LSE does not have the equivalent Hong Kong listing rule requirement that the annual accounts must be made up to a date falling not more than six months before the date of its annual general meeting.
<i>Inspections</i>				
— Powers of independent body to investigate wrongdoing	✓ Vested in the Financial Secretary	✓ Vested in inspectors appointed by the Secretary of State for Trade and Industry	✓ Vested in inspectors appointed by Minister of Finance.	✓ Vested in inspectors appointed by Minister of Finance

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
<i>Directors</i>				
— directors can be removed by special resolution	√	√ Removal by ordinary resolution	√ Removal by ordinary resolution at a special general meeting called for that purpose, subject to the bye-laws.	√ Removal by ordinary resolution at a special general meeting called for that purpose, subject to the bye-laws.
— approval of company required for disposal of significant fixed assets	√	√ Part of LSE requirements as to super Class 1 transactions	√ No requirement under Bermuda law but LSE requirements as to super Class 1 transactions.	√ No requirement under Bermuda law but LSE requirements as to super Class 1 transactions.
— undischarged bankrupt cannot be director	√	√	√	√
— trading while insolvent prohibited	√	√	√	√
— prohibition of tax-free payments to directors	√	√	N/A	N/A
— prohibition on loans to directors	√	√	√ (Under Bermuda law, loans are permitted with the consent of members holding 90% of the paid up capital of the company. Also subject to LSE Class 4 consent.)	√ (Under Bermuda law, loans are permitted with the consent of members holding 90% of the paid up capital of the company. Also subject to LSE Class 4 consent.)
— accounts must disclose directors' emoluments and interests	√	√	√ Disclosure required by LSE under the Continuing Obligations.	√ Disclosure required by LSE under the Continuing Obligations

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
— directors must disclose material interest in contract with company	√	√	√ Failure to disclose can constitute breach of statutory duty of care.	√ Failure to disclose can constitute breach of statutory duty of care
— company must approve payments for loss of office	√	√	Under Bermuda law there is no specific requirement for a company to approve payment for loss of office unless bye-laws provide otherwise. There is no requirement under the LSE continuing requirements that the company must approve payments for loss of office.	Under Bermuda law there is no specific requirement for a company to approve payment for loss of office unless bye-laws provide otherwise. There is no requirement under the LSE continuing requirements that the company must approve payments for loss of office.
<i>Schemes and Takeovers</i>				
— Schemes need court approval and are subject to approval by classes of shareholders	√	√	√	√
— provisions regarding compulsory sale or right of dissenting minority to have shares bought out following a takeover	√	√	√	√
<i>Minorities</i>				
— powers of court in the event of unfair prejudice	√	√	√	√

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
Articles (typical provisions)				
— transmission on death, liquidation bankruptcy	√	√	√	√
— Limitation on borrowing powers	√	√	√	√
— directors' disclosure of interests and voting on contracts	√	√	√	√
— retirement by rotation of directors	√	√	√ (note 1)	√ (note 1)
Common Law and equity				
— directors' fiduciary duties, in particular to act bona fide in the interest of the Company	√	√	√	√ Statutory duty
— liability for prospectuses: fraud and negligent misstatement	√	√	√	√
— fraud on the minority	√	√	√	√
Securities Ordinance Laws (e.g. prohibiting manipulation of prices)	√	√	X (note 2)	X (note 2)

Note 1: Such a provision can be placed in the articles only if so permitted by a special act of Parliament. The relevant Jardine's special acts so permit.

Note 2: There is no Bermuda law on this point, although depending on where the relevant activity takes place, the law of other jurisdictions may be applicable eg. United Kingdom and Hong Kong.

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
Listing Rules				
a) Pre-emption rights	√	√ (Part of statutory pre-emption provisions)	X No shareholders' pre-emptive rights under Bermuda law. The LSE states that "in the case of such companies where there do not exist any pre-emption rights, the council expects that issues for cash of equity capital, or securities having an equity element made by such companies.... so as materially to dilute the percentage interest of the company's shareholders, it will not be made in terms likely to detract significantly from the value of their interests."	X Jardine has accepted the LSE statement that "in the case of such companies where there do not exist any pre-emption rights, the council expects that issues for cash of equity capital, or securities having an equity element made by such companies.... so as materially to dilute the percentage interest of the company's shareholders, it will not be made in terms likely to detract significantly from the value of their interests."
b) Annual & interim accounts	√	√	√	√

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
c) Disclosure of:	√	√	√	√
i) material information	√	√	√	√
ii) notifiable transactions	√	√	√	√
iii) listing documents	√	√	√	√
d) Connected transaction approvals	√	√ (Class 4 transactions)	√	√
e) Notice of board meetings, AGM's etc	√	√	√	√
f) Scrip fee limit	√	√ (No charge permitted)	√ (No charge permitted)	√ (No charge permitted)
g) Trading & settlement rules	√	√	√	√
h) Model Code	√	√	X The LSE's model code is not applicable to foreign companies.	√ Jardine has adopted the LSE model code.
i) Service contracts	√	√	√	√

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
j) Notice to overseas shareholders	√	√ The LSE's rules provide at least 25% of any class of shares must, not later than the time of admission, be in the hands of the public. Account may be taken of persons in a non-member state if shares are listed in the state and only exceptionally where a lower percentage to be accepted by the Council where the number of shares in the same class and the extent of the distribution would enable the market to operate properly with a lower percentage. The LSE rules have no continuing requirement for 25% of the shares to be in "public" hands.	√ The LSE's rules provide at least 25% of any class of shares must, not later than the time of admission, be in the hands of the public. Account may be taken of persons in a non-member state if shares are listed in the state and only exceptionally where a lower percentage to be accepted by the Council where the number of shares in the same class and the extent of the distribution would enable the market to operate properly with a lower percentage. The LSE rules have no continuing requirement for 25% of the shares to be in "public" hands.	√
k) 25% public shareholding — liquidity	√	√	√	√
l) two way proxy voting	√	√	√	√

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
m) Directors not to vote if material interest	√	√ LSE listing requirement for articles of association. However, derogations may be granted by the LSE.	√ LSE requirement for articles of association. However, derogations may be granted by the LSE. Failure to disclose can constitute a breach of duty as prescribed by Bermuda Law.	√ LSE requirement for articles of association. However, derogations may be granted by the LSE. Failure to disclose can constitute a breach of duty as prescribed by Bermuda Law.
SDI Disclosure of Interests	√	√ Comprehensive statutory code for disclosure of interests by directors and substantial shareholders	√ The statutory code for disclosure is not applicable. The LSE's continuing obligations, however, state that foreign companies must nevertheless comply with them insofar as information available to them enables them to do so.	√ Jardine has proposed a scheme whereby the share interests of directors and their associates and their dealings in shares will be notified to the LSE.
Takeover Code: General offer rule	√	√	X Not governed by the UK Takeover Code.	X Not governed by the UK Takeover Code.
Insider Dealing Laws	√	√	note	note

Note: There is no Bermuda law on this point, although depending on where the relevant activity takes place, the law of other jurisdictions may be applicable eg. United Kingdom and Hong Kong.

	Hong Kong company listed on the Hong Kong Exchange	UK incorporated company listed on the London Stock Exchange (LSE)	Bermuda company listed on the LSE	Jardine Proposal (i.e. Bermuda company listed on the LSE with trading listing status on Hong Kong Exchange)
Share Buyback Code and related Listing Rules	<p style="text-align: center;">✓</p> Statutory code	<p style="text-align: center;">✓</p> Statutory code for share repurchases	<p style="text-align: center;">X</p> No authority needed. The LSE's rules are not clear as to whether there is an obligation to put a proposal to buy back the company's own shares to shareholders. They only deal with when shareholder approval is sought.	<p style="text-align: center;">✓</p> No authority needed. However, Jardine has effectively agreed to comply with LSE regulations.

APPENDIX 3

**The proposed listing rules drafted to cover a
Trading Listing status on the Exchange**

APPENDIX 3

The proposed listing rules drafted to cover a Trading Listing status on the Exchange

Chapter [38]

[●]

TRADING LISTING

[38.01] This section sets out the requirements, modifications or exemptions which apply to an issuer which qualifies for a Trading Listing status.

Qualifications for Listing

[38.02] The following requirements apply:—

- (1) in order to qualify for Trading Listing status an issuer must be and remain adequately regulated by the rules and regulations of one or more regulated, regularly operating, open stock markets recognised for this purpose by the Exchange. Such exchanges shall be determined by the Exchange from time to time. At the time of listing with Trading Listing status the Exchange and the issuer shall agree which of the issuer's other such exchanges shall have primary responsibility for regulating the listing of the issuer's securities and ensuring the observation by the issuer of its continuing obligations as an issuer of listed securities (the "lead regulatory exchange(s)").

Under a Trading Listing status the issuer's primary trading exchange may be or remain on the Exchange provided that the Exchange is satisfied that the issuer is adequately regulated by its lead regulatory exchange(s). If an issuer is granted Trading Listing status and it does not remain listed on its lead regulatory stock exchange(s), the Exchange reserves the right to require the issuer to sign a new Listing Agreement and to impose such other additional requirements as the Exchange deems necessary in order for the issuer to retain its listing on the Exchange;

- (2) the Exchange reserves the right, in its absolute discretion, to refuse to grant Trading Listing status to an issuer if it believes that it is not in the public interest to grant such status and reserves the right to either cancel the issuer's listing or revoke the issuer's Trading Listing status if it is not satisfied that the issuer continues to be subject to adequate regulation;

- (3) if an issuer is applying for Trading Listing status on the Exchange and the Exchange is not satisfied that the standards of shareholder protection provided by the jurisdiction in which the issuer is incorporated or otherwise established and its proposed lead regulatory exchange(s) are at least equivalent to those provided in Hong Kong, the Exchange reserves the right to deny Trading Listing status to such an issuer in its sole discretion;
- (4) the issuer must have its primary listing on the Exchange at the time it applies for Trading Listing status and listing on the issuer's lead regulatory exchange(s) must have been granted before Trading Listing status on the Exchange can be granted;
- (5)
 - (a) in the case of registered securities (other than those transferable by endorsement and delivery), provision must be made for a register of holders to be maintained in Hong Kong, or such other place as the Exchange may agree, and for transfers to be registered locally. The Exchange may, however, consider an alternative proposal for registering transfers for Hong Kong holders provided that adequate arrangements are made to have a share transfer agent in Hong Kong; and
 - (b) in the case of bearer securities, provision must be made for the payment of dividends or interest and repayment of capital in Hong Kong, or such other place as the Exchange may agree;
- (6) unless the Exchange otherwise agrees only securities registered on the Hong Kong register may be traded on the Exchange;
- (7) where two or more share registers are maintained it will not be necessary for the Hong Kong register to contain particulars of the shares registered on any other register; and
- (8) no issuer may apply for Trading Listing status unless:—
 - (a) the prior approval of shareholders has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer;
 - (b) the prior approval of holders of any other class of listed securities, if applicable, has been obtained; and
 - (c) the issuer has given its shareholders and holders of any other class of listed securities, if applicable, at least three months notice of the proposed change in its listing status. This minimum notice period must run from the date on which the shareholders approve the change in listing status.

[38.03] In the case of equity securities, the qualifications for listing set out in Chapter 8 will apply except for rules 8.05, 8.06, 8.09, 8.10, 8.12, 8.16 and 8.20 and rules 8.04, 8.07, 8.08 and 8.17 will be deemed to have been complied with by virtue of the issuer's listing on its lead regulatory exchange(s). In the case of debt securities rules 23.03, 23.04, 23.09, 23.10, 23.11 and 23.12 will apply.

[38.04] Provided that the issuer complies with the rules and regulations governing the listing of the issuer's securities on the issuer's lead regulatory exchange(s) and the continuing obligations of the issuer as an issuer of listed securities, imposed on the issuer by that exchange(s) as they apply to the issuer from time to time, and the rules set out in this section then no other rules or provisions of the Exchange Listing Rules (or any amendments from time to time made thereto) shall apply to an issuer with Trading Listing status, except as expressly referred to in the issuer's Listing Agreement.

Listing Documents

[38.05] The following requirements apply:—

- (1) all listing documents must comply with the requirements imposed by the issuer's lead regulatory exchange(s) and any applicable statutory disclosure requirements in Hong Kong; and
- (2) all listing documents must contain a prominent statement that the issuer's primary regulation is provided by another stock exchange(s), details of all the issuer's other listings and a prominent statement that the issuer is listed in Hong Kong with a Trading Listing status.

Listing Agreement

[38.06] All issuers are required to sign a Listing Agreement with the Exchange in the form prescribed and provided by the Exchange by which they undertake to comply with the continuing obligations to which they will be subject as a condition of the listing of their securities.

[38.07] A certified copy of the resolution of the issuer's board of directors or other governing body authorising the signing of the Listing Agreement must be lodged with the Exchange prior to the commencement of dealings.

[38.08] The text of the Listing Agreement applicable to a Trading Listing status is reproduced in Part I of Appendix 7 together with notes on its interpretation and application.

Communication with the Exchange

[38.09] References in the Listing Agreement to informing the Exchange mean delivery of the relevant information to the Exchange in the manner determined by the Exchange from time to time and promulgated by way of a practice note to the Exchange Listing Rules.

[38.10] Attention is particularly drawn to the obligation to ensure that the Exchange is simultaneously informed of any information released to any other stock exchange and that such information is released to the market in Hong Kong at the same time it is released to any other market. This includes any information released by a subsidiary of the issuer to another stock exchange on which that subsidiary is listed or another market, if that information is discloseable under the issuer's Listing Agreement.

Other Applicable Listing Rules

- [38.11]** (1) The following rules or provisions of the Exchange Listing Rules shall apply to an issuer with a Trading Listing status:—
- (a) Chapter 2 (except for rule 2.04 and Chapter 2A), which sets out certain basic requirements and procedural details;
 - (b) the requirement to have a sponsor and two authorised representatives, in accordance with the provisions of Chapter 3;
 - (c) the power of the Exchange to suspend dealings in or cancel the listing of any securities as set out in rules 6.01 to 6.04; and
 - (d) the publication requirements set out in rules 12.08 to 12.10.
- (2) The Exchange reserves the right to impose additional conditions or requirements on an issuer which is seeking to list a new type of security on the Exchange after it has obtained a Trading Listing status for its existing issued securities.

Listing Fees

- [38.12]** Details of the initial listing fee, annual listing fee, subsequent issue fee and other charges together with details of the brokerage charge and transaction levies on new issues are as for a primary listing and are set out in Appendix 8.

General

- [38.13]** Information to be supplied by issuers granted Trading Listing status in a listing document or accounts notwithstanding any obligation in the Exchange Listing Rules, the Statutory Rules or any obligation imposed by the laws of Hong Kong shall not be less than that required to be supplied by the issuer in its place of incorporation or other establishment.

APPENDIX 4

**An example of the proposed format of the Listing Agreement
for securities with a Trading Listing status**

APPENDIX 4

An example of the proposed format of the Listing Agreement for securities with a Trading Listing status

Appendix 7

Part I

Type of Security : Equity

Type of Issuer : Incorporated or otherwise established in Hong Kong or elsewhere and listed with a Trading Listing status

The following is the text of the Listing Agreement denoted in bold type, each paragraph being followed (where appropriate) by notes denoted in italics on its interpretation and application.

This Agreement is entered into between (the “Issuer”) and THE STOCK EXCHANGE OF HONG KONG LIMITED (the “Exchange”) whereby the Issuer undertakes to the Exchange to perform the covenants set out hereunder fully and in good faith (each such covenant to be read and construed in accordance with and subject to the related notes from time to time appearing in the Exchange Listing Rules).

INTERPRETATION

1. (1) In this Agreement, unless the context otherwise requires:—

“Exchange Listing Rules” means the rules governing the listing of securities on the Exchange contained in the book entitled “Rules Governing the Listing of Securities” published by the Exchange as amended from time to time in accordance with the Exchange Listing Rules;

“Lead Regulatory Exchange(s)” means the [●] Stock Exchange [Limited], being the stock exchange(s) which the Issuer and the Exchange have agreed shall have primary responsibility for regulating the listing of the Issuer’s securities and ensuring the observation by the Issuer of its continuing obligations as an issuer of listed securities; and

“Lead Regulatory Exchange(s) Listing Rules” means the rules of the Lead Regulatory Exchange(s) governing the listing of the Issuer’s securities on the Lead Regulatory Exchange(s) and the continuing obligations of the Issuer as an issuer of listed securities, as they apply to the Issuer from time to time.

“group” means the Issuer and its subsidiaries, if any.

(2) In this Agreement, unless the context otherwise requires, terms used which are defined or interpreted in the Exchange Listing Rules shall have the same meaning as in the Exchange Listing Rules.

- (3) Where this Agreement requires anything to be sent by any person in Hong Kong to any person outside Hong Kong and vice versa such thing shall be sent, where practicable, by air mail.
- (4) Any notice to be given under this Agreement shall be in writing and any notice to the holder of a bearer security may be given by being published in the newspapers.

DISCLOSURE

General Matters

2. Generally and apart from compliance with all the specific requirements of this Agreement, the Issuer shall:—

- (1) keep the Exchange, members of the Issuer and other holders of its listed securities informed as soon as reasonably practicable, and in any case no later than the Issuer's Lead Regulatory Exchange(s), of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:—

- (a) is necessary to enable them and the public to appraise the position of the group;
- (b) is necessary to avoid the establishment of a false market in its securities; and
- (c) might be reasonably expected materially to affect market activity in and the price of its securities.

2.1 References in this Agreement to informing the Exchange mean delivery of the relevant information to the Exchange in the manner determined by the Exchange from time to time and promulgated by way of a practice note to the Exchange Listing Rules.

2.2 Any obligation to inform holders of the Issuer's securities or the public will be satisfied by the information being published in the newspapers in Hong Kong except where this Agreement requires some other form of notification.

- (2) ensure that the Exchange is simultaneously informed of any information released to any other stock exchanges on which the securities of the Issuer are listed and that such information is released to the market in Hong Kong and/or the Exchange, as applicable, at the same time as it is released to the other markets.

2.3 This includes any information released by a subsidiary of the Issuer to another stock exchange on which that subsidiary is listed or another market, if that information is discloseable by the Issuer under this Listing Agreement.

2.4 This is a critical requirement for Issuers with Trading Listing status and, while the Exchange recognises the logistical problems that might sometimes arise from this requirement, it feels that such problems can be overcome by the use of modern telecommunications and facsimile transmissions. Where information is released to another market at a time when the Exchange is not open for the business of dealing in securities, then the Issuer must ensure that the Exchange is informed of that information before 9.30 am on the next business day and that such information is published in the newspapers on that date.

- (3) The Issuer shall, for so long as its securities are listed on the Lead Regulatory Exchange(s), comply with the Lead Regulatory Exchange(s) Listing Rules.
- (4) The Issuer will advise the Exchange as soon as practicable if its securities cease to be listed on the Lead Regulatory Exchange(s). The Issuer will also advise the Exchange as soon as practical of any material change in the Lead Regulatory Exchange(s) Listing Rules as they apply to the Issuer or its securities and acknowledges that the Exchange may either cancel the Issuer's listing or revoke the Issuer's Trading Listing status if it is not satisfied that the Issuer continues to be subject to adequate regulation.

Takeovers

3. The Issuer shall comply with the Takeovers Code to the extent that the Takeovers Code applies to the Issuer.

Closure of books

4. The Issuer shall publish in the newspapers notice of the closure of its transfer books or register of members in respect of its listed securities at the same time as such notice is required to be given by the Issuer's Lead Regulatory Exchange(s).

Notice of AGM

5. The Issuer shall ensure that notice of every annual general meeting is published in the newspapers. Such notice must be of a size of not less than 8 centimetres by 10 centimetres (three inches by four inches approximately) and must be so published on at least one business day.

ANNUAL ACCOUNTS

Distribution of annual report and accounts

6. (1) The Issuer shall send to:—
 - (a) every member of the Issuer in Hong Kong; and
 - (b) every other holder of its listed securities (not being bearer securities) in Hong Kong,

a copy of its annual report including its annual accounts and, where the Issuer prepares group accounts, its group accounts, together with a copy of the auditors' report therein at the same time as those documents are sent to members in the market of the Lead Regulatory Exchange(s).
- (2) Nothing in paragraph 6(1) shall require the Issuer to send documents referred to therein to:—
 - (a) a person of whose address the Issuer is unaware; or
 - (b) more than one of the joint holders of any of its listed securities.

- 6.1 *The Issuer must send 100 copies of the annual report and accounts to the Exchange at the same time as they are sent to holders of the Issuer's listed securities with registered addresses in Hong Kong (see paragraph 11).*

INTERIM REPORTS AND PRELIMINARY ANNOUNCEMENTS

7. The Issuer shall ensure that its interim report in respect of the first six months of each financial year and its preliminary announcement of results for each full financial year shall be published in the newspapers.
- 7.1 *The Issuer must send 100 copies of the interim report to the Exchange at the same time as it is sent to the Issuer's Lead Regulatory Exchange(s) (see paragraph 11).*

NOTIFICATION

Board Meetings

8. The Issuer shall inform the Exchange at least three clear business days in advance of the date fixed for any board meeting at which the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year or other period is to be approved for publication.

Suspension and Delisting

9. The Issuer shall inform the Exchange immediately of any suspension or delisting of its securities on its Lead Regulatory Exchange(s).
- 9.1 *If the suspension or delisting occurs at a time when the Exchange is not open for the business of dealing in securities then the Issuer must inform the Exchange before 9.30 am on the next business day.*

General

10. The Issuer shall inform the Exchange at the same time it informs its Lead Regulatory Exchange(s) of all general matters required to be notified by the Lead Regulatory Exchange(s) Listing Rules, including but not limited to:—
- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof;
 - (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
 - (3) any preliminary announcement of profits or losses for any year, half- year or other period;
 - (4) any proposed change in the capital structure, including any redemption of its listed securities;
 - (5) any decision to change the general character or nature of the business of the Issuer or group;

- (6) any change in its secretary, auditors or registered office or registered place of business in Hong Kong;
- (7) any purchase, sale, drawing or redemption by the Issuer, or any member of the group, of its listed securities and the Issuer hereby authorises the Exchange to disseminate such information to such persons and in such manner as the Exchange may think fit; and
- (8) any information which is required to be notified to the Lead Regulatory Exchange(s) regarding the interests of directors and other shareholders in the listed securities of the Issuer.

10.1 In discharging the obligations as set out in this paragraph 10, regard should be had to Note 2.1, and in particular to the Exchange's requirements from time to time in respect of the communication of information of an urgent nature.

ANNOUNCEMENTS, CIRCULARS AND OTHER DOCUMENTS

Forwarding of documents, circulars, etc.

11. The Issuer shall forward to the Exchange:—

- (1) 100 copies of:—
 - (a) all circulars to holders of securities;
 - (b) its annual report and accounts;
 - (c) the interim report; and
 - (d) any documents required to be issued by the Issuer's Lead Regulatory Exchange(s) in support of the listing of, or upon the issue of, any further securities which are of the same class as securities already listed,

at the same time as they are despatched to holders of the Issuer's listed securities with registered addresses in Hong Kong;

- (2) seven copies of documents relating to takeovers, mergers and offers, notices of meetings, forms of proxy, notices by advertisement to holders of its bearer securities, reports, announcements or other similar documents at the same time as they are issued; and
- (3) a copy of any amendments to its memorandum or articles of association or equivalent documents.

11.1 Copies of announcements issued by the Issuer must be delivered to the Exchange no later than their issue to any other party outside the Issuer or its immediate advisers.

TRADING AND SETTLEMENT

Certification of transfers

12. The Issuer shall:—

- (1) certify transfers against certificates or temporary documents and return them by the seventh day after the date of receipt; and
- (2) split and return renounceable documents by the third business day after the date of receipt.

12.1 Documents of title lodged for registration of probate should be returned with the minimum of delay, and, if possible, on the next business day following receipt.

Registration fees

13. The Issuer shall ensure that where the Issuer charges a fee for the registration of transfers or other documents relating to or affecting the title to shares, splitting certificates, issuing certificates or marking or noting documents, such fee must not exceed HK\$2 per item.

Issue of certificates

14. The Issuer shall issue definitive certificates arising out of a registration of transfers or the splitting of certificates within:—

- (1) 21 days of the date of expiration of any right of renunciation; or
- (2) 21 days of the lodgement of properly executed transfer documents or the relevant certificates.

Designated accounts

15. The Issuer shall, if requested by holders of securities, arrange for designated accounts.

Registration arrangements

16. In connection with paragraphs 12, 13, 14, and 15, if the Issuer does not maintain its own registration department, appropriate arrangements must be made with the registrars to ensure compliance with the provisions of such paragraphs.

Bearer warrants

17. Where share warrants to bearer have been issued or the articles of association or equivalent documents of the Issuer authorise the issue of share warrants to bearer but none have yet been issued, the Issuer shall:—

- (1) issue such warrants in exchange for registered share certificates (and vice versa) within 14 days of the deposit of the share certificates (or warrants); and

- (2) certify transfers against the deposit of warrants within 14 days of receipt.

Trading limits

18. Where the market price of the listed securities of the Issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Exchange reserves the right to require the Issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

GENERAL

Subsequent listing

19. The Issuer shall apply for the listing of any further securities which are of the same class as securities already listed at the same time as application is made to the Issuer's Lead Regulatory Exchange(s).

Notices to overseas members

20. The Issuer shall send notices to all holders of its listed securities with registered addresses in Hong Kong.

Response to enquiries

21. The Issuer shall respond promptly to any enquiries made of the Issuer by the Exchange or the Commission concerning unusual movements in the price or trading volume of its listed securities or any other matters by giving such relevant information as is available to the Issuer or, if appropriate, by issuing a statement to the effect that the Issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities and shall also respond promptly to any other enquiries made of the Issuer by the Exchange or the Commission.

21.1 As a practical matter, the Exchange recognizes that such enquiries may normally be made to the Issuer's Lead Regulatory Exchange(s). However, it reserves the right to enquire directly of the Issuer if and when it judges it necessary or desirable to do so.

21.2 If the directors of the Issuer are not aware of any matter that might have relevance to such movements (and only in such circumstances) the Issuer should issue an announcement in the following form:—

"This statement is made at the request of The Stock Exchange of Hong Kong Limited. We have noted the recent [increases/decreases] in the price of the [shares/warrants] of the Company and wish to state that we are not aware of any reasons for such [increases/decreases].

We also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

Made by the order of the Board of [●], which individually and jointly accept responsibility for the accuracy of this statement."

APPENDIX 5

**An analysis of the effect on the three Hong Kong Indices of
a withdrawal of the Jardine group as constituent stocks**

APPENDIX 5

An analysis of the effect on the three Hong Kong Indices of a withdrawal of the Jardine group as constituent stocks

The Indices

Hong Kong has 3 market indices which are used as yardsticks of market performance and sentiment; the Hong Kong Index and the All Ordinaries Index are both compiled by The Stock Exchange of Hong Kong Limited (the "Exchange"), whilst the most widely used of the three, the Hang Seng Index, is calculated by the Hang Seng Bank's wholly owned subsidiary HSI Services Ltd.

The Hong Kong Index (HKI):

This is a 45 constituent weighted arithmetic average index, based primarily on market capitalisations, which accounted for approximately 74.5% of total Exchange market capitalisation and 57.6% of turnover as at the end of May 1991. The index is comprised of six sectors : Finance (6 stocks), Utilities (5), Properties (14), Hotels (4), Industrials (8) and Consolidated Enterprises (8). Constituents are only reviewed when a company included in the index is either delisted or restructured. Selection occurs by the following process : the top 62 stocks by turnover are ranked, and the top 79 stocks by market capitalisation are ranked (both numbers equate to approximately 95% respective representation of the total market). From these two lists, a subset of 49 stocks which appear in both is compiled, and the final 45 are then chosen according to the individual sectoral performance (which might also lead to stocks not on the subset list also being considered). Pre-requisite selection criteria involve a minimum two year quotation and due regard to the trading activity, market capitalisation, and past financial performance of the company.

The index is calculated every fifteen minutes.

The All Ordinaries Index (AOI):

This is another weighted arithmetic average based on market capitalisations, and is compiled from all the ordinary shares listed on the Exchange. Adjustments to the base value occur whenever new ordinary shares are listed, existing shares delisted or any capital change effected.

This index excludes any ordinary shares which have been suspended for more than one year, and also excludes the ordinary shares of registered overseas companies except those with an Exchange listing and which are generally accepted as a local company.

The index is updated twice a day.

The Hang Seng Index (HSI):

The index is a 33 constituent weighted arithmetic average; this means the larger the weighting of the market capitalisation of any one constituent, the greater impact a change in the price of the stock will have on the movement of the index. The index is comprised of 4 sectors : commerce and industry, finance, properties, and utilities.

The index is compiled on a real time minute-by-minute basis using the Current Nominal Price of each stock as determined by the Exchange during trading hours.

The Hang Seng Index is managed & reviewed each quarter by an Advisory Committee appointed by the Board of Directors of HSI Services Ltd. Extraordinary meetings are convened as required.

Eligibility for selection as a constituent requires satisfaction of the following criteria:—

1. the company must be incorporated in Hong Kong and/or use Hong Kong as its operational base;
2. the company must satisfy a minimum average market value over a given period (usually the latest 12 months); and
3. the company must satisfy a minimum monthly average turnover value over a given period (usually the latest 24 months).

Jardine Group's Impact on the Indices

By virtue of the size of the component companies within the Jardine Group, the overall influence of the group on the indices is large.

The impact will be felt greatest on the Hang Seng Index, where companies from the group form 5 of the 33 constituents, accounting for 12.80% (as at 19.7.91) of the HSI market capitalisation according to figures from the Exchange's Research Department. Figures supplied by HSI Services Ltd. for 19th July 1991** estimate the weighting as follows:—

Stock	Dividend Yield %	Sensitivity Factor#	Current Weight
Jardine Strategic H.	1.70	0.51	2.31
HK Land Holdings	7.28	0.84	3.69
Dairy Farm Int'l H.	3.29	1.03	2.81
Jardine Matheson H.	3.07	1.03	3.72
Mandarin Oriental	8.67	0.11	0.48
HSI Dividend Yield:	4.21%	Total:	13.01

Change in HSI (points) per Spread Change in stock price.

** The total HSI weighting can be seen in the attached sheet.

Accordingly, the influence of the Jardine Group companies (in aggregate) on the other two indices will be less than for the Hang Seng Index because additional companies are involved in the calculation.

By re-arranging the data from the sheet supplied by HSI Services Ltd., and ranking the HSI constituents in order of weighting (see table below), it is noticeable just how much relative weight each of the five companies accounts for. The five companies in the Jardine Group occupy the 10th, 11th, 15th, 17th and 28th places of the 33 stocks.

Hang Seng Index Constituent Stocks ranked by weight

Rank	Stock	Sensitivity Factor#	% Weight
1.	Hong Kong Telecom	3.52	12.13
2.	Hutchison Whampoa	1.93	7.49
3.	HSBC Holdings	1.03	7.15
4.	Cheung Kong	1.39	7.00
5.	Sung Hung Kai Property	1.09	6.04
6.	Hang Seng Bank	1.88	5.86
7.	China Light	1.05	5.62
8.	Cathay Pacific	0.91	4.02
9.	HK Electric	1.28	3.89
10.	*Jardine Matheson	1.03	3.72
11.	*HK Land Holdings	0.84	3.69
12.	Henderson Land	1.01	3.45
13.	Wharf Holdings	1.33	3.41
14.	Swire Pacific 'A'	0.61	3.35
15.	*Dairy Farm Int'l	1.03	2.81
16.	New World Devm.	0.88	2.60
17.	*Jardine Strategic	0.51	2.31
18.	Hopewell	0.61	2.03
19.	HK & China Gas	0.69	1.89
20.	World International	0.65	1.82
21.	Cavendish International	0.46	1.71
22.	Hang Lung Devm.	0.36	1.48
23.	Hysan Devm.	0.27	1.07
24.	Bank of East Asia	0.22	0.99
25.	HK Hotels	0.16	0.70
26.	Great Eagle Holdings	0.23	0.57
27.	HK Aircraft	0.12	0.54
28.	*Mandarin Oriental	0.11	0.48
29.	Miramar Hotel	0.17	0.47
30.	Kowloon Motor Bus	0.13	0.47
31.	TV Broadcasts	0.13	0.45
32.	Winsor Industrial	0.08	0.41
33.	Lai Sun International	0.08	0.39

change in HSI (Points) Per Spread Change in Stock Price.

* A Jardine Group Company.

This means that the likely impact of removing the five Jardine Group Companies, and by default replacing them with companies of lower market capitalisation, will be to concentrate the weighting power still further into the larger issues which would then form a greater proportion of the indices. It should be borne in mind that the All Ordinaries Index will suffer a greater drop in its capitalisation than the other two indices because there are no replacement stocks available as the AOI already measures all the stocks.

The extent to which the removal of the companies will affect the Hong Kong Index and the Hang Seng Index depends upon the size of the sensitivity factor and index weightings of the replacement constituents relative to those leaving the indices; they will be directly related to the price of the stocks, because this dictates where the company lies in the Exchange's spread table (and hence affects the sensitivity factor, due to its definition), plus the market capitalisation of the stock. For the All Ordinaries Index, its price movement will be a function of how the weightings are re-distributed in the absence of the Jardine Group.

In the transition from the last trading period when the Jardine Group Companies were included in the index calculation, to the first period without them, the companies will be removed from the numerator of the index equation (see below), whilst the denominator will need to be rebased to account for the capitalisation changes to the index. The new rebased index should therefore open at the same value as the unadjusted one closed at, such that any change to the index is accounted for solely by a change in the price of any of the remaining constituents.

$$\text{Index Value} = \frac{\sum_{i=1}^n I_{it} P_{it}}{\sum_{i=1}^n I_{io} P_{io}} \times \text{Base Date Index Value}$$

where:

I_{it} = constituent i 's issued ordinary shares at time t

P_{it} = constituent i 's share price at time t

I_{io} = constituent i 's issued ordinary shares at the base date

P_{io} = constituent i 's share price at the base date

Potential Problems Arising

If it becomes necessary to replace the Jardine stocks this may lead to a situation where Hong Kong Telecom comes to dominate the Hang Seng and Hong Kong Indices, rendering them less representative of the overall market. This should become evident through a reduced correlation in the movements of the three indices.

Another area of concern is if the replacement constituents have much higher Beta Coefficients than the stocks they replace, because this might increase the overall volatility of the indices. The Beta Coefficient measures the extent to which an individual stock price moves relative to the market/index as a whole (i.e. less than 1 means less volatile than the index, greater than 1 means more volatile). On the other hand, lower Beta Coefficients would reduce index volatility; also, it is likely that the reduced weighting of the new stocks would serve to reduce the effect of any increased volatility resulting from higher Beta substitutes.

Market Performance of Hang Seng Index® Constituent Stocks

19-07-91

Stock/ Index	Close (\$)	% Change since last week	% Change since last year	Dividend Yield (%)	P/E Ratio (Times)	Sensitivity Factor#	Market Capitalisation weighting (%)
Bank East Asia	18.300	+0.55	+48.78	3.42	15.80	0.22	0.99
Hang Seng Bank	31.250	0.00	+63.61	3.20	16.97	1.88	5.86
HSBC Holdings	27.900	-0.36	+47.62	5.59	14.50	1.03	7.15
Jardine Strategic	18.300	+1.67	+22.00	1.70	6.67	0.51	2.31
Finance Sub-index	2654.95	+0.11	+48.97	4.05	13.07	—	16.30
China Light	21.500	+3.86	+36.08	3.35	15.36	1.05	5.62
HK China Gas	11.000	0.00	+7.84	2.45	18.64	0.69	1.89
HK Electric	12.200	+0.83	+23.23	5.00	12.84	1.28	3.89
HK Telecom	6.900	+2.22	+11.29	4.78	15.20	3.52	12.13
KM Bus	7.450	+0.68	+33.04	6.98	11.29	0.13	0.47
Utilities Sub-index	4916.20	+2.16	+18.28	4.34	14.91	—	24.00
Cheung Kong	20.200	+4.66	+59.06	2.38	13.65	1.39	7.00
Great Eagle Hldgs	2.525	+14.77	+20.24	3.49	12.50	0.23	0.57
Hang Lung	8.200	+8.61	+64.00	5.00	9.51	0.36	1.48
Henderson	13.700	+9.60	+61.18	2.55	12.57	1.01	3.45
HK Land Hldgs	8.850	+0.57	+25.53	7.28	10.78	0.84	3.69
Hopewell	3.350	-2.90	+7.20	6.39	8.93	0.61	2.03
Hysan	7.850	+3.29	+37.72	6.37	11.38	0.27	1.07
New World	11.800	+5.36	+53.25	5.17	13.11	0.88	2.60
SHK Prop.	22.200	+4.72	+50.00	3.47	14.42	1.09	6.04
Properties Sub-index	7077.50	+4.50	+46.56	4.15	12.31	—	27.92
Cathay Pacific	8.900	+1.71	+28.06	4.72	8.51	0.91	4.02
Cavendish Int'l	3.750	0.00	+5.63	6.40	8.33	0.46	1.71
Dairy Farm Int'l	10.900	0.00	+2.83	3.29	15.03	1.03	2.81
HK Aircraft	18.400	-1.08	+26.03	4.13	11.79	0.12	0.54
HK Hotels	4.500	-0.55	+7.78	3.78	13.24	0.16	0.70
Hut Whampoa	15.600	+1.96	+30.00	4.17	13.45	1.93	7.49
Jardine Hldgs	36.250	+1.40	+29.00	3.07	10.25	1.03	3.72
Lai sun Int'l	1.950	-1.02	+36.36	7.18	7.50	0.08	0.39
Mandarin Oriental	4.500	-0.55	+3.45	8.67	8.64	0.11	0.48
Miramar	5.600	+0.90	+5.26	3.04	29.32	0.17	0.47
Swire Pac (A)	21.900	+2.82	+48.98	3.65	14.19	0.61	3.35
TV Broadcasts	6.800	0.00	+20.35	7.35	8.72	0.13	0.45
Wharf (Hldgs)	10.300	+7.29	+39.19	4.22	15.68	1.33	3.41
Winsor	9.850	-0.51	+39.72	8.12	10.37	0.08	0.41
World Int'l	5.650	+2.73	+39.51	3.36	13.17	0.65	1.82
Com & Ind Sub-index	3445.65	+1.99	+26.64	4.23	11.81	—	31.77
Hang Seng Index	4009.35	+2.41	+32.56	4.21	12.79	—	100.0

Notes:

- (1) Historical figures are used in computing yield and P/E ratio.
- (2) #Change in HSI (point) per spread change in stock price.

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APPENDIX 6

A comparison of the trading in Jardine group's stocks on overseas exchanges

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A comparison of the trading in Jardine group's stocks on overseas exchanges

Luxembourg

Nil trading since listing in : Dairy Farm International [633461]
Hong Kong Land Holdings [638129]
Jardine Matheson Holdings [638132]
Jardine Strategic Holdings [606779]
Jardine Strategic Holdings [655619]
Jardine Strategic Holdings [631553]
Mandarin Oriental International [637181]

Singapore

As of 12th July 1991 trading has only been recorded on two days since listing as follows:—

Dairy Farm International	HK\$ 735,600	(20/2/1991)
Jardine Matheson Holdings	HK\$1,289,900	(20/2/1991)
	HK\$ 521,800	(21/2/1991)
Jardine Strategic Holdings	HK\$ 624,000	(20/2/1991)
Mandarin Oriental Int'l	HK\$ 49,250	(21/2/1991)

Australia

During the period 1st November 1990 to 10th July 1991:

Dairy Farm International	HK\$428,243,992.50
Hong Kong Land Holdings	HK\$ 8,130.00
Jardine Matheson Holdings	HK\$ 312,408.00
Mandarin Oriental Int'l	HK\$ Nil

Comparative Turnover for Hong Kong Land on London** and Hong Kong's Exchanges

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '90	8,174,000	12.3	70,700,000	13.3	58,374,194	87.7	460,661,990	86.7	66,548,194	531,361,990
Feb	11,908,000	10.5	96,418,000	11.1	101,355,619	89.5	768,498,083	88.9	113,263,819	864,916,083
Mar	10,151,000	9.5	83,580,000	10.2	96,628,850	90.5	739,526,847	89.8	106,779,850	823,106,847
Apr	3,665,000	6.6	32,074,000	7.3	52,103,320	93.4	408,984,637	92.7	55,768,320	441,058,637
May	6,426,000	7.3	54,460,000	7.8	81,503,672	92.7	646,647,587	92.2	87,929,672	701,107,587
Jun	9,790,000	10.8	88,312,000	11.5	80,883,370	89.2	676,316,147	88.5	90,680,370	764,628,147
Jul	5,097,000	3.2	45,108,000	3.2	152,644,930	96.8	1,359,140,154	96.8	157,741,930	1,404,248,154
Aug	8,553,000	6.1	64,862,000	5.8	131,988,986	93.9	1,060,949,553	94.2	140,541,986	1,125,811,553
Sep	4,595,000	8.8	34,258,000	8.6	47,818,194	91.2	363,921,955	91.4	52,413,194	398,179,955
Oct	11,012,000	17.8	77,434,000	16.6	50,948,027	82.2	388,075,925	83.4	61,960,027	465,509,925
Nov	7,580,000	13.5	54,194,000	12.8	48,625,953	86.5	369,446,567	87.2	56,205,953	423,640,567
Dec	4,944,931	6.6	48,127,051	8.3	70,532,297	93.4	529,938,925	91.7	75,477,228	578,065,976
1990 Total	91,895,931	8.6	841,422,982	9.9	973,407,412	91.4	7,772,108,370	90.1	1,065,310,543	8,521,635,421

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '91	2,978,222	4.5	19,926,275	4.2	62,550,238	95.5	458,337,486	95.8	65,528,460	478,263,761
Feb	16,944,734	13.6	122,097,850	12.5	107,920,744	86.4	858,074,212	87.5	124,865,478	980,172,062
Mar	3,325,000	3.2	27,188,000	3.1	101,507,662	96.8	846,902,914	96.9	104,832,662	874,090,914
Q1 1991 Total	23,247,956	7.9	169,212,125	7.3	271,978,644	92.1	2,163,314,612	92.7	295,226,600	2,332,526,737
Apr	8,324,000	7.9	70,042,000	8.1	96,417,013	92.1	799,335,184	91.9	104,741,013	869,377,184
May	12,354,675	6.8	110,763,643	7.1	170,049,479	93.2	1,452,975,821	92.9	182,404,154	1,563,739,464
Jun	14,106,000	22.9	124,740,000	24.6	47,385,011	77.1	383,028,897	75.4	61,491,011	507,768,897
Q2 1991 Total	34,784,675	10.0	305,545,643	10.4	313,851,503	90.0	2,635,339,902	89.6	348,636,178	2,940,885,545
Q1 & Q2 Total	58,032,631	9.0	474,757,768	9.0	585,830,147	91.0	4,798,654,514	91.0	643,862,778	5,273,412,282

* Translated at a rate of HK\$14.00: £1.00

** Turnover data supplied by LSE. Data includes ADR trades reported to LSE

Comparative Turnover for Dairy Farm International on London** and Hong Kong's Exchanges

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '90	5,271,596	13.5	34,826,315	11.2	33,889,535	86.5	275,912,506	88.8	39,161,131	310,738,821
Feb	36,357,800	49.4	329,866,660	51.3	37,201,956	50.6	313,228,054	48.7	73,559,756	643,094,714
Mar	17,024,016	40.8	166,729,450	43.0	24,700,648	60.2	221,033,565	57.0	41,724,664	387,763,015
Apr	4,795,151	18.3	49,284,870	19.7	21,437,732	81.7	200,587,681	80.3	26,232,883	249,872,551
May	12,367,481	23.7	120,412,749	24.0	39,848,907	76.3	380,338,525	76.0	52,216,388	500,751,274
Jun	28,866,125	44.0	313,390,871	45.7	36,736,683	56.0	372,082,724	54.3	65,602,808	685,473,595
Jul	3,681,000	10.0	36,652,000	10.0	33,086,574	90.0	329,609,987	10.0	36,767,574	366,261,987
Aug	6,840,000	15.0	65,156,000	15.3	38,765,254	85.0	361,845,510	84.7	45,605,254	427,001,510
Sep	5,379,000	21.1	45,416,000	20.8	20,080,569	78.9	172,851,807	79.2	25,459,569	218,267,807
Oct	5,043,000	16.8	42,070,000	15.3	24,991,017	83.2	233,480,387	84.7	30,034,017	275,550,387
Nov	2,778,000	9.8	25,186,000	9.1	25,652,881	90.2	252,070,639	90.9	28,430,881	277,256,639
Dec	6,092,000	22.8	58,478,000	21.4	20,647,488	77.2	214,617,901	78.6	26,739,488	273,095,901
1990 Total	134,495,169	27.4	1,287,468,915	27.9	357,039,244	72.6	3,327,659,286	72.1	491,534,413	4,615,128,201

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '91	2,493,000	11.3	24,094,000	10.5	19,566,168	88.7	204,769,209	89.5	22,059,168	228,863,209
Feb	3,978,000	12.3	41,426,000	11.4	28,412,887	87.7	323,255,829	88.6	32,390,887	364,681,829
Mar	8,338,000	20.0	101,080,000	20.2	33,330,819	80.0	399,744,038	79.8	41,668,819	500,824,038
Q1 1991 Total	14,809,000	15.4	166,600,000	15.2	81,309,874	84.6	927,769,076	84.8	96,118,874	1,094,369,076
Apr	5,685,000	8.7	69,524,000	9.2	59,962,639	91.3	687,038,922	90.8	65,647,639	756,562,922
May	2,589,000	6.1	31,738,000	6.3	40,078,322	93.9	473,892,127	93.7	42,667,322	505,630,127
Jun	11,352,000	32.5	137,592,000	34.5	23,591,593	67.5	260,681,860	65.5	34,943,593	398,273,860
Q2 1991 Total	19,626,000	13.7	238,854,000	14.4	123,632,554	86.3	1,421,612,909	85.6	143,258,554	1,660,466,909
Q1 & Q2 Total	34,435,000	14.4	405,454,000	14.7	204,942,428	85.6	2,349,381,985	85.3	239,377,428	2,754,835,985

* Translated at a rate of HK\$14.00: £1.00

** Turnover data supplied by LSE. Data includes ADR trades reported to LSE

Comparative Turnover for Jardine Matheson on London** and Hong Kong's Exchanges

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	% Total	Shares	HK\$
Jan '90	3,522,000	26.1	91,728,000	27.7	9,990,808	73.9	238,983,139	72.3	13,512,808	330,711,139
Feb	9,236,000	33.4	246,680,000	34.6	18,453,708	66.6	466,824,324	65.4	27,689,708	713,504,324
Mar	5,564,000	24.2	159,656,000	25.6	17,452,136	75.8	464,892,642	74.4	23,016,136	624,548,642
Apr	4,710,000	26.3	146,496,000	27.7	13,225,675	73.7	381,696,328	72.3	17,935,675	528,192,328
May	3,458,000	14.5	114,800,000	10.9	20,343,164	85.5	639,298,388	89.1	23,801,164	754,098,388
Jun	4,654,000	20.9	177,688,000	23.8	17,611,723	79.1	568,117,247	76.8	22,265,723	745,805,247
Jul	4,480,000	20.7	157,962,000	21.1	17,134,378	79.3	591,379,677	78.9	21,614,378	749,341,677
Aug	6,079,000	20.6	202,230,000	21.3	23,496,550	79.4	747,682,508	78.7	29,575,550	949,912,508
Sep	3,344,000	28.5	100,604,000	27.7	8,374,941	71.5	262,123,279	72.3	11,718,941	362,727,279
Oct	2,632,000	20.9	74,172,000	19.4	9,949,828	79.1	307,226,036	80.6	12,581,828	381,398,036
Nov	1,693,000	15.2	47,922,000	14.0	9,448,407	84.8	293,996,050	86.0	11,141,407	341,918,050
Dec	8,612,000	38.5	127,694,000	23.5	13,771,933	61.5	415,328,648	76.5	22,383,933	543,022,648
1990 Total	57,984,000	24.4	1,647,632,000	23.5	179,253,251	75.6	5,377,548,266	76.5	237,237,251	7,025,180,266

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	% Total	Shares	HK\$
Jan '91	9,888,000	31.2	250,152,000	29.6	21,850,234	68.8	596,226,393	70.4	31,738,234	846,378,393
Feb	4,654,000	14.6	124,306,000	13.4	27,146,368	85.4	802,657,249	86.6	31,800,368	926,963,249
Mar	9,447,000	22.3	296,534,000	21.4	32,975,240	77.7	1,087,175,552	78.6	42,422,240	1,383,709,552
Q1 1991 Total	23,989,000	22.6	670,992,000	21.3	81,971,842	77.4	2,486,059,194	78.7	105,960,842	3,157,051,194
Apr	3,509,000	20.2	121,478,000	20.5	13,821,876	79.8	470,482,709	79.5	17,330,876	591,960,709
May	2,555,000	16.1	89,810,000	16.7	13,334,560	83.9	446,440,874	83.3	15,889,560	536,250,874
Jun	7,388,000	42.8	275,128,000	45.2	9,859,042	57.2	333,739,375	54.8	17,247,042	608,867,375
Q2 1991 Total	13,452,000	26.7	486,416,000	28.0	37,015,478	73.3	1,250,662,958	72.0	50,467,478	1,737,078,958
Q1 & Q2 Total	37,441,000	23.9	1,157,408,000	23.6	118,987,320	76.1	3,736,722,152	76.4	156,428,320	4,894,130,152

* Converted at HK\$14.00: £1.00

** Turnover data supplied by LSE. Data includes ADR trades reported to LSE

Comparative Turnover for Jardine Strategic Holdings (Ord.) on London** and Hong Kong's Exchanges

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '90	5,359,916	37.7	81,629,896	39.7	8,850,946	62.3	124,096,469	60.3	14,210,862	205,726,365
Feb	21,111,658	53.3	338,374,961	55.1	18,472,637	46.7	275,703,838	44.9	39,584,295	614,078,799
Mar	9,010,303	37.3	157,081,553	39.4	15,118,373	62.7	241,121,251	60.6	24,128,676	398,202,804
Apr	10,059,173	37.9	182,633,821	40.1	16,449,930	62.1	273,088,616	59.9	26,509,103	455,722,437
May	9,795,457	30.6	179,675,011	31.9	22,191,864	69.4	384,017,332	68.1	31,987,321	563,692,343
Jun	15,649,000	48.7	733,278,000	71.5	16,456,501	51.3	291,848,156	28.5	32,105,501	1,025,126,156
Jul	5,086,641	23.5	89,916,441	23.4	16,566,856	76.5	294,738,208	76.6	21,653,497	384,654,649
Aug	8,278,030	38.8	136,640,402	39.9	13,067,011	61.2	205,450,261	60.1	21,345,041	342,090,663
Sep	3,054,425	38.8	45,728,124	38.1	4,815,205	61.2	74,268,225	61.9	7,869,630	119,996,349
Oct	2,725,298	31.4	39,899,967	29.9	5,967,317	68.6	93,492,967	70.1	8,692,615	133,392,934
Nov	4,115,490	28.3	60,439,858	26.6	10,438,541	71.7	166,368,030	73.4	14,554,031	226,807,888
Dec	8,562,000	48.3	126,350,000	46.7	9,175,235	51.7	144,391,098	53.3	17,737,235	270,741,098
1990 Total	102,807,391	39.5	2,171,648,034	45.8	157,570,416	60.5	2,568,584,451	54.2	260,377,807	4,740,232,485

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '91	5,531,000	32.6	75,404,000	31.3	11,411,283	67.4	165,721,836	68.7	16,942,283	241,125,836
Feb	4,376,680	18.6	60,246,358	17.3	19,170,585	81.4	288,509,024	82.7	23,547,265	348,755,382
Mar	7,841,000	29.0	132,958,000	28.6	19,189,423	71.0	331,221,719	71.4	27,030,423	464,179,719
Q1 1991 Total	17,748,680	26.3	268,608,358	25.5	49,771,291	73.7	785,452,579	74.5	67,519,971	1,054,060,937
Apr	5,363,845	24.3	98,259,922	24.6	16,708,029	75.7	300,640,751	75.4	22,071,874	398,900,673
May	5,611,301	24.0	103,864,940	24.4	17,729,526	76.0	322,182,609	75.6	23,340,827	426,047,549
Jun	10,832,000	62.6	207,172,000	64.3	6,482,339	37.4	115,033,297	35.7	17,314,339	322,205,297
Q2 1991 Total	21,807,146	34.8	409,296,862	35.7	40,919,894	65.2	737,856,657	64.3	62,727,040	1,147,153,519
Q1 & Q2 Total	39,555,826	30.4	677,905,220	48.0	90,691,185	69.6	1,523,309,236	52.0	130,247,011	2,201,214,456

* Translated at a rate of HK\$14.00: £1.00

** Turnover data supplied by LSE. Data includes ADR trades reported to LSE

Comparative Turnover for Mandarin Oriental on London** and Hong Kong's Exchanges

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '90	3,636,000	17.9	18,326,000	18.5	16,732,176	82.1	80,924,554	81.5	20,368,176	99,250,554
Feb	4,120,000	10.6	24,892,000	11.3	34,589,702	89.4	196,132,269	88.7	38,709,702	221,024,269
Mar	4,862,000	29.5	30,520,000	31.6	11,610,959	70.1	65,936,846	68.4	16,472,959	96,456,846
Apr	601,000	3.2	3,850,000	3.4	18,269,487	96.8	108,518,876	96.6	18,870,487	112,368,876
May	823,000	3.8	5,292,000	4.1	21,059,310	96.2	124,997,768	95.9	21,882,310	130,289,768
Jun	7,905,000	33.7	50,246,000	34.5	15,525,367	66.3	95,315,688	65.5	23,430,367	145,561,688
Jul	649,000	3.5	3,766,000	3.4	17,943,451	96.5	105,845,089	96.6	18,592,451	109,611,089
Aug	5,205,000	32.7	24,990,000	31.2	10,722,961	67.3	55,180,345	68.8	15,927,961	80,170,345
Sep	1,031,000	16.6	4,438,000	15.9	5,186,080	83.4	23,543,561	84.1	6,217,080	27,981,561
Oct	561,000	23.4	2,464,000	21.9	1,840,159	76.6	8,786,019	78.1	2,401,159	11,250,019
Nov	1,018,000	33.9	4,312,090	31.4	1,987,177	68.6	9,429,775	68.6	3,005,177	13,741,775
Dec	225,830	10.2	998,473	9.6	1,986,567	89.8	9,359,063	90.4	2,212,397	10,357,536
1990 Total	30,636,830	16.3	174,094,473	16.5	157,453,396	83.7	883,969,853	83.5	188,090,226	1,058,064,326

Month	London				Hong Kong				Totals	
	Shares	% Total	HK\$*	% Total	Shares	% Total	HK\$	%Total	Shares	HK\$
Jan '91	271,360	3.4	1,075,348	3.2	7,694,543	96.6	32,884,520	96.8	7,965,903	33,959,868
Feb	1,720,000	13.3	7,896,000	12.7	11,227,352	86.7	54,341,063	87.3	12,947,352	62,237,063
Mar	7,340,705	40.9	36,582,117	39.6	10,591,896	59.1	55,738,717	60.4	17,932,601	92,320,834
Q1 1991 Total	9,332,065	24.0	45,553,465	24.2	29,513,791	76.0	142,964,300	75.8	38,845,856	188,517,765
Apr	520,812	4.9	2,734,654	5.1	10,065,076	95.1	51,001,333	94.9	10,585,888	53,735,987
May	1,391,000	9.7	7,182,000	10.3	12,988,074	90.3	62,729,483	89.7	14,379,074	69,911,483
Jun	1,207,512	14.3	5,789,539	15.3	7,243,136	85.7	31,941,050	84.7	8,450,648	37,730,589
Q2 1991 Total	3,119,324	9.3	15,706,193	9.7	30,296,286	90.7	145,671,866	90.3	33,415,610	161,378,059
Q1 & Q2 Total	12,451,389	17.2	61,259,658	17.5	59,810,077	82.8	288,636,166	82.5	72,261,466	349,895,824

* Translated at a rate of HK\$14.00: £1.00

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