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15 December 2006

Mr Frederick MA Si-hang, JP
Secretary for Financial Services and the Treasury
8th Floor, West Wing
Central Government Offices
11 Ice House Street
Hong Kong

Dear Mr MA,

Panel on Financial Affairs

**Issues relating to the listing of companies which are incorporated
outside Hong Kong**

At the last meeting held on 14 December 2006, Hon James TO drew the Panel's attention to a key initiative under the Strategic Plan for 2007-2009 announced by the Hong Kong Exchanges and Clearing Limited (HKEx) which seeks to open the equity listing regime to issuers from a broader range of overseas jurisdictions than at present. He has also referred to recent press report about the Memorandum of Understanding between HKEx and Kazakhstan regarding possible listing arrangements for Kazakhstan enterprises in Hong Kong. While noting HKEx's plan to further expand its business, members consider it important to understand the implications of the new arrangement on the existing listing regime and on the securities market of Hong Kong. In particular, they would like to be advised on the following:

- (a) Whether HKEx is studying the feasibility of revising its Listing Rules to enable companies incorporated in places other than the existing acceptable jurisdictions to list in Hong Kong?
- (b) If yes, to provide information on details of the study and the timetable for implementing the change.
- (c) If the existing listing regime is to be open to more foreign issuers, the criteria or considerations that HKEx would take into account in deciding whether to allow enterprises incorporated in a certain jurisdiction to list in Hong Kong; and whether corporate governance requirements and regulatory standards of the home jurisdictions are also relevant factors for consideration.

- (d) Whether HKEx is negotiating with any overseas jurisdictions for allowing their companies to list in Hong Kong? If yes, please provide information on the countries under negotiation and whether any agreement has been/is going to be reached in this regard.
- (e) Whether the Administration/HKEx will brief/consult the Panel on proposed changes to open the existing listing regime.

The Panel would like to exchange views with the Administration/HKEx on the aforesaid issues at a future meeting of the Panel. In this connection, Hon CHAN Kam-lam, Panel Chairman, would like to know whether the Administration/HKEx are ready to discuss the subject with the Panel at its regular meeting to be held on Friday, 5 January 2007, at 10:45 am and to provide a paper for members' reference in advance of the meeting. If it is considered that it is impracticable to discuss the subject with the Panel on 5 January 2007, the Panel would be prepared to schedule the subject for discussion at a later date, but would request the Administration/HKEx to provide a paper (in both Chinese and English and with softcopy to slchan@legco.gov.hk) on the subject including, but not limited to, the issues highlighted at (a) to (e) above. In line with our usual practice, the written information provided for the meeting will be made available to the media and the public, and uploaded to the website of this Council on the Internet, unless you advise otherwise.

I should be grateful if you would confirm **by 28 December 2006** as to whether you would be ready to attend the Panel meeting scheduled for 5 January 2007 for discussion of the subject; or to provide a paper for members' reference pending discussion at a future meeting to be arranged.

Meanwhile, if you would like to discuss further or require further information, please feel free to contact the undersigned or Ms Rosalind MA at 2509 4602.

Looking forward to your early reply and with best regards,

Yours sincerely,

(Miss Polly YEUNG)
Clerk to Panel

c.c. Hon CHAN Kam-lam, SBS, JP (Chairman)
Mr Ronald ARCULLI, GBS, JP (Chairman, Hong Kong Exchanges and Clearing Limited)
Mrs Dorothy MA, PAS/FSTB (Fax: 2861 1494)