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Continuing connected transaction annual report

The annual report of that issuer must contain the following information on related transactions carried out in that financial year (including the continuation of related transactions in accordance with contracts signed in previous years): (1) the date of the transaction; (2) parties to the transaction and a description of their related relationship; (3) a brief description of the transaction and its purposes; (4) overall consideration and conditions; (5) the nature of the related person's interest in the transaction; and (6) for the continuation of related transactions(s) confirmation by the independent non-executive directors of that issue on matters referred to in Rule 14.55; and (b) a statement by the management board of that issuer on whether the auditors confirmed the issues cited in Rule 14. When that issuer publishes in its annual report the transaction data of any related party in accordance with the accounting standards for the preparation of its financial statements, it must indicate whether the transaction is a related transaction under this Chapter and has complied with the requirements of this Chapter. HKEX's rules, interpretation and guidelines are maintained by Thomson Reuters management, risk and compliance to organize materials for greater accessibility. Hyperlink cross-references are now available in HTML versions. In case of discrepancies between HTML and PDF versions of HKEX rules, interpretations and guidelines, the PDF version prevails. Download pdf | Download the word 1. Introduction The Rules on Related Transactions are set out in Chapter 14A of the General Board List Rules. Their objectives are: to ensure that that issuer takes into account the interests of shareholders as a whole when he or one of his subsidiaries concludes related transactions; and provide safeguards against directors, directors-general and significant shareholders (or their associates) by exploiting their positions. This is achieved through a general requirement of approval by independent shareholders for related transactions. Chapter 14A was recently amended on 1 January 2014. Chapter 14A can be viewed in . In general, a related transaction is any transaction between that issuer or any of its subsidiaries and a related person. For classification purposes, the Stock Exchange may aggregate a number of transactions that have been completed over a 12-month period or are otherwise linked (Rule 14A.81). The factors that the Stock Exchange takes into account in determining whether related transactions should be aggregated are whether: entered by the said issuer with the same party or parties associated/associated with each other; include the acquisition or disposal of securities or interest in a particular company or group of companies; include the acquisition or disposal of parts of one asset; or together lead to significant involvement issuer in a business activity that was not previously part of its main business activities (Rule 14.82). The Stock Exchange may consider aggregating the continuation of related transactions with one related person (rule 14.83). A related transaction may also be a transaction that can be notified. If so, that issuer must comply with both Chapters 14 and 14A of the main committee's listing rules. 2. Definition of transaction definition The concept of transactions for the purposes of related transaction claims shall include the following, irress as to whether such a transaction is of a revenue nature and entered into the normal and normal course of business of the group: acquisition or disposal of assets, including presumed disposal in accordance with Rule 14A.29; any transaction involving the possibility of acquiring or disposing of assets or subscribing to securities; entering or terminating financial or operational leases; granting inalienment or guarantees or providing financial assistance; entering the joint venture in any form; issuance of new securities issued by the issuer or its subsidiaries; providing or receiving services; sharing services; the provision or supply of raw materials, intermediate products and finished goods; acquisition of qualifying assets (Rule 14.24). The continuation of related transactions are related transactions involving the provision of goods or services or financial assistance, which are carried out on a permanent or recurring basis and are expected to be extended over a period of time. The definition of a related person A related person shall be defined in such a way as to include: the director, the CHIEF Executive Officer or a significant shareholder (who has 10% or more of the voting rights) of that issuer or any of his subsidiaries or associates of any such person; Persons associated with the insignificant subsidiaries listed by the issuer are not affiliated persons. An insignificant subsidiary is a subsidiary of an issuer whose total assets, profits and incomes are less than: 10% compared to percentages for each of the three previous financial years; or 5% in line with the percentage ratios for the last financial year (Rule 14.66), a person who has been the director of that issuer or any of his subsidiaries in the past 12 months or an associate of such a person; or affiliated subsidiary is a subsidiary; a branch which is not whoothood by that issuer if any related person at the issuer level has the right to exercise or control the exercise of 10% or more of the voting power at the general meetings of the whoevered subsidiary. This excludes the indirect interest in the branch that the affiliate(s) has through that issuer; or a branch of such a branch which is not whoever owns it. Please note: The whoever issuer's whoevered subsidiary is not a related person. Company A and Company C are affiliated persons of that company as Company A is a subsidiary that is not fully and in which he is a related person at the level of the issuer B) holds 10% of the shares. Company C as its subsidiary is also affiliated. Associates of an individual Associates of a related person who is an individual include: his spouse, his (or the child of the spouse) or stepfather (natural or adopted) under the age of 18 (each member of the close family)(Rule 14A.12. a); administrators, acting as trustees of any trustee whose individual or member is a member of the family, is a beneficiary or, in the case of discretionary trustees, (to the best of his knowledge) a discretionary case (Commissioners) (Rule 14.12.12.1.(b)). Managers of employee share schemes or occupational pension schemes are not associates of a related person if: the scheme is set up for a wide range of participants; and the interests of related persons in the programme together are less than 30% (rule 14.12.12.1.(b)); a company in which an individual, members of his or her close family and/or administrators (individually or together) control the exercise of 30% or more of the voting power or control the composition of the majority of the management board and any branch of such a company (Rule 14A/12(1)(c)). The Company is not an associate of an individual, if the interests of the related person and his associates in the entity (other than those held through the issuer) together are less than 10% (Rule 14A.14). In the diagrams below, neither Company A nor Company B are associates with X because X's direct interest is less than 10%. a person living with him as a spouse or his or her child, stepfather, parent, stepfather, brother or half-brother (each family member)(Rule 14A.12(a)); a company in which family members (individually or together) or family members together with an individual, their close family members and/or trustees control the exercise of 50% or more of the voting power or control the composition of the majority of the management board and any of its subsidiaries (Rule 14A.12(2)(b)); the power of law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, grandparents, grandchildren, uncle, aunt, nephew, niece or relative of a related person (any relative) whose association with a related person is such that, according to the Stock Exchange, the proposed transaction should be subject to related transaction requirements (Article 14 and a company in which relatives (individually or together) or relatives together with a related person, commissioners, members of his or her close family and/or family members control the exercise of 50% or more of the voting power or control the composition of the majority of the management board and any of its subsidiaries, whose association with the related person is such that, according to the Stock Exchange, the proposed transaction should be subject to related transaction requirements (Rule 14A.22) and Rule 14A.21(1)). Associates of a related person who is a company include: its or holding company, or other subsidiary of such holding company (together, group companies)(Rule14A.13(1)); the manager of any trust whose company is a beneficiary or, to the company's knowledge, a discretionary facility (managers)(Rule 14.13.2); a company in which a company, group companies and/or trustees (individually or together) can: exercise or control the exercise of 30% or more of the voting power at general meetings; or control the composition of most of the management board; and subsidiaries of the company in (c). It is considered to be linked persons Exchange has the power to consider a person or entity as a related person of the issuer if: a person or entity has entered or proposes to enter into: a transaction with a group; and agreement, understanding or undertaking (whether formal or informal and whether express or implied) in respect of a transaction with the Director, Chief Executive Officer or a significant shareholder issuer or any of its subsidiaries or persons who have been such a director in the preceding 12 months; and the person or entity should, according to the Stock Exchange, be considered as a related person (Rule 14.21). 3. A related transaction in which there is no transaction with a related person Acquiring a stake in the Company (Rule 14.28) A group acquiring an interest in a company (target company) from an unrelated person is a transaction if it is a significant shareholder of the target company; whether (or suggested to be) the controller (i.e. the director, chief executive or controlling shareholder of that issuer); either it is, or, as a result of the transaction, it will become an associate of the controller or the proposed controller of that issuer. Acquiring target company assets is also a related transaction if the assets account for 90% or more of the target company's net assets or total assets. The stock exchange may consolidate the interests of the controller and his associates in the target company in order to determine whether they are jointly shareholders of the target company. Rule 14.28 does not apply to the acquisition of that issuer where the controller or its associates are together a significant shareholder targets only because of indirect shares in the target company held through the group of issuers concerned (Rule 14.30). 4. Financial assistance Financial assistance includes granting loans, borrowing money, securing or guaranteeing a loan (Rule 14A.06(17) & amp; 14A.24(4)). The financial assistance provided by that issuer or its subsidiaries will constitute a related transaction if provided by: an affiliated person; or a subject that is usually held. The financial assistance provided to that issuer or its subsidiaries will constitute a related transaction if provided by: a related person; or a subject that is usually held. The term Entity normally held refers to a company whose shareholders include: groups of these issuers; and associated person(s) at the level of a issuer who (individually or together) can exercise or control the exercise of 10% or more of the voting power at the general meeting of the company. This 10% excludes all indirect interest held by the person(s) through that issuer. (Rule 14A.27) (Subject that is usually held). 5. Options involving related persons Grants, acquisition, transfer, termination, execution or non-sleeping of an option involving that issuer or its subsidiaries and related person shall be linked to a transaction and classified at 1000 (excluding profit ratio) (rule 14.24.2.2). Termination of the option is a transaction, unless the termination is in accordance with the terms of the original contract and there is no payment of any penalty, damages or other compensation. Options assigned by the specified group to a related person if the group of the specified issuer grants the option to the related person and the execution of the option is not at the discretion of the group: when granting the option to the related person, the transaction is classified as if the option had been executed. Percentage ratios are calculated on the basis of the transaction fee (which is taken to include the premium and the price of exercise), the value of the underlying assets and the income attributable to the asset (Rule 14.79.1); the issuer must disclose: any execution or transfer of the option by the option holder; and/or if the option is not fully used, the option holder informing the group of the specified issuer that he will not use the option or the expiry of the option, no matter what is earlier (Rule 14.61.). Options acquired by the specified group from a related person if the group of the specified issuer acquires or accepts an option assigned by a related person if the option can be achieved at the discretion of the specified group: when acquiring or approving an option, only a premium is taken from the group for the purpose of calculating percentage ratios. However, if the premium represents 10% or more of the premium and exercise price, the percentage ratios are calculated on the basis of premium, exercise price, value of underlying assets and income attributable to such assets (Rule 14A.79(2)); on the execution of the group option, the cost of exercise, the value of the underlying assets and the income attributable to such assets are used for the purpose of calculating percentage ratios; if the specified group transfers the option to a third party, terminates the option, or decides not to take advantage of the option: the transaction is classified as if the option had been executed. For the purposes of percentage ratios, the price of the exercise, the value of the underlying asset, the income attributable to such assets and (if applicable) the transfer fee of the option, i.e. the amount of receivables or payable by that group for the elimination of the option, shall be used. 14A.79(4)(s)); or the Stock Exchange may allow that issuer to classify a transaction based on an asset-to-consideration ratio based on: for the path option held by the group of the said issuer, the price of the exercise is less than the value of the assets subject to the option; or for the call option held by the specified group of issuers, the value of the asset subject to the option is less than the cost of the exercise; and the fee or amount paid or received by the group. The issuer may adopt an alternative classification test under (i) above if the asset value of the option is easy to identify and the issuer can provide: valuation of the asset option prepared by an independent expert using generally acceptable methodologies; confirmation by THE IODs and the independent financial adviser that the transfer, termination or failure to weigh the option is fair and reasonable and in the interests of that issuer and its shareholders as a whole. If the issuer adopts an alternative method, it must disclose the transfer, termination or non-enforcement of the option with the views of THE IODs and the independent financial adviser on 6 October 2013. Joint ventures involving related persons Entering into any arrangement or agreement involving the formation of a joint venture entity in any form, such as a partnership or company or any other form of joint venture, by that issuer and related person constitutes a related transaction (Rule 14A.24(5)). 7. The classification of related and continuous related transactions of related and continuous related transactions falls into 3 categories: transactions without exemption; Transactions exempt from reporting, disclosure and approval requirements of independent shareholders (fully exempt transactions); and transactions exempt only from the requirement for approval by independent shareholders (but subject to reporting and disclosure requirements) (partially exempt transactions). 8. Requests for related transactions Written contractual request That issuer must enter into a written contract with all relevant parties in respect of the related transaction. Reporting requirements The following published annual report and the accounts of that issuer must include details of the related transaction specified in Rule 14.71: transaction date; transaction parties and a description of their related relationship; a brief description of the transaction and its purpose; full consideration and conditions; and the nature and scope of the interests of the related person. Request for notification and publication That issuer must notify the Stock Exchange as soon as possible once the terms of the related transaction have been agreed and published in as early a year as possible (Rule 14.35 and 14.68). Independent shareholder approval requirements Related transactions and the continuation of related transactions must be approved by the issuing independent shareholders. resolution authorising a related transaction must be through a survey. Any shareholder with a material interest in the transaction (s) must abstain from voting (rule 14A.36, 14A.70(12)). Requests from the independent board and financial adviser The Independent Committee (consisting only of INEDs) must be set up to advise shareholders on: whether the terms of the related transaction are fair and reasonable; whether the transaction is in the interests of the issuer and shareholders as a whole; whether the transaction is linked under normal commercial conditions and in the usual and normal course of business of the issuer; and how to vote, taking into account the views of an independent financial adviser (Rule 13.39(6)(a)). An independent financial adviser must be appointed to advise the independent board and independent shareholders on the above issues (Rule 13.39(6)(b)). Written approval by independent shareholders The Stock Exchange may waive the general meeting's request and accept written approval from independent shareholders if: no issuing shareholder would have to abstain from voting if a general meeting is held; and written approval by independent shareholders is obtained from shareholders or a closely allied group of shareholders who (together) have more than 50% of the voting rights at the general meeting. (Rule 14A.37) District shareholder request That issuer must send a circular to shareholders: at the same time it shall inform the general meeting to approve the transaction; or if the transaction is to be approved through written approval by shareholders or a closely linked group of shareholders, within 15 days of the announcement of the statement (Rule 14.46 and 14.48). The shareholder circular must comply with the content requirements of the rules of 14.69. 9. Requirements for the continuation of related transactions In the event of the continuation of related transactions, the contract governing the transaction must be under normal commercial conditions and must be for a fixed period of time. It shall not exceed 3 years, except in specific circumstances where the nature of the transaction takes a longer period. In such a case, the issuer must appoint an independent financial adviser to explain why the agreement requires a longer period and that it is common commercial practice for contracts of this kind to be of longer duration (Rule 14.52). Reporting requirements must be followed for each subsequent financial year during which that issuer assumes the continuation of the related transaction. Annual request for a ceiling for the continuation of related transactions That issuer must set a maximum total annual ceiling expressed in monetary terms, on the basis of which it must be made public. The annual ceiling must be reference to previous transactions and figures in the group's published information or on reasonable assumptions where the previous transaction does not exist. The annual ceiling must be approved by shareholders if the continuation of the related transaction requires shareholder approval (Rule 14.53). If the annual ceiling is exceeded or if the relevant agreement is renewed or its terms are materially changed, that issuer must again comply with the disclosure and approval requirements of independent shareholders (Rule 14.54). Requests for an annual review for the continuation of related transactions Each year, the INEDs of that issuer must review the continuation of the related transactions and confirm in the annual report and accounts that the transactions have been made in: In the ordinary and normal course of the group's operations; under normal commercial conditions or conditions that are no less favourable to that issuer than those available to independent third parties' than them; and in accordance with the management agreement on terms that are fair, reasonable and in the interests of shareholders as a whole. Auditors must provide a letter to the management board each year confirming whether something has happened to them that makes them believe that the issuer's board of directors has not approved the continuation of the related transactions; are not, in all material respects, in accordance with group pricing policies where transactions involve the provision of goods or services by the group; are not entered into, in all material respects, in accordance with the relevant agreement governing transactions; and exceed the annual ceiling. 10. Exemptions from related transaction requirements 10.1 Fully exempt related transactions Related transactions exempt from reporting, disclosure and approval requirements of independent shareholders include, but are not limited to: intra-group transaction de minimis transactions certain issues of purchasing new securities from their own securities director service agreements by providing remuneration of directors or purchasing a director's division of administrative services insurance by purchasing or selling consumer goods or a transaction services with passive investor associates Transactions within the Transaction Group between that issuer and a wholly owned subsidiary or between its wholly owned subsidiaries if: none of the interested subsidiaries are affiliated persons; there are no affiliated persons at the issuing level or controlling the exercise of 10% or more of the voting power at any general meeting of any of the interested companies (Rule 14A.18); and transactions between a wholly owned issuing company that is affiliated (at issuer level) controls 10% or more of the voting power at any general meeting of such a subsidiary and any of its subsidiaries that are affiliated with persons only on the basis that the subsidiaries of such subsidiaries or subsidiaries are wholly owned or transaction is

between any of these subsidiaries (Rule 14.17). De minimis transaction Transactions under normal commercial conditions where each or all percentage ratios except profit ratios is/are: less than 0.1%; less than 1%, and the transaction is a linked transaction only because the linked person is connected on the basis of his or her relationship(s) with one or more subsidiaries of that issuer; or less than 5%, and the total fee is less than HK\$3 million (Rule 14A.76(1)). This exemption does not apply to the issuance of new securities to a related person. Certain issues of new securities The issues of new securities by that issuer or its subsidiaries to the related person are completely exempted if: the associated person receives a proportional right to securities as a shareholder; securities are issued under the Chapter 17 share option scheme or under the share option scheme that exists before the issuer is listed at the time of listing; related person subscribed for securities in a release of rights or an open offer: through a surplus of claims (in accordance with Rule 7.21.1 or 7.26A(1)); or as sponsors or sub-selection of rights issues or open offers, in accordance with Rule 7.21 or 7.26A (arrangements for the disposal of surplus securities), or securities are issued under an up-up placement and subscription that meets the following conditions: new securities are issued to a related person: after such an affiliate has reduced their holdings in the same class of securities by placing them with third parties other than their associates under the placing agreement; and within 14 days of the date of the agreement on the placing on the meeting; the number of new securities issued to a linked person does not exceed the number of securities it markets; and new securities are issued at a price not less than the placement price. The put-in price can be adjusted to the putting costs. (Rule 14A.92(4)). The purchase of own securities The redemption of shares by that issuer or its subsidiary from a related person on a recognised exchange is completely exempt from related transaction claims (unless the related person knowingly sells the shares to that issuer)(Rule 14A.94(1). Share repurchases in accordance with the general offer in accordance with the Code of Share Repurchase are also fully exempt (Rule 14A.94(2)). Contracts for the services of directors The Director entering into a service contract with the said issuer or one of his subsidiaries is completely exempt. Sharing administrative services Sharing administrative services between a group and a related person on a cost basis is completely exempt, provided that the costs are identifiable and are awarded to the parties involved on a fair and fair basis. Insurance of the Director's idleness or purchase of the Director's insurance insurance or purchase of insurance for, for, the issuing director or his subsidiaries will be exempted from the related transaction rules if: indemnity/insurance is for obligations that may arise during the director performing his or her duties; and indemnity/insurance is in the form permitted under Hong Kong laws, and if the company providing or buying insurance is established outside Hong Kong, the laws of the place of incorporation of the company (rules 14A.91 and 14A.96). For example, if, under the terms of the director's service contract, a listed company will bring it together from obligations arising from negligence, non-compliance and misconduct by the Director, that company will not be able to rely on a new exemption for the disenfranch of directors, since the Company Regulations do not allow the director to be remanded from negligence, non-compliance or misconduct. That company may also not rely on the existing exemption for director service contracts in accordance with Rule 14A.95 with regard to the liability or insurance of directors not exempted under Rule 14A.91 or 14A.96 (FAQ 19 faq 28 series). Purchase or sale of consumer goods or services The Group purchasing consumer goods or services as a customer or selling consumer goods or services to a related person under normal commercial conditions under normal and normal course of business is completely exempt if: goods or services of the kind normally supplied for private use or consumption; goods or services are for the customer's own consumption or use, and not be: processed into customer products or for resale; or benefit the customer for any of their companies or companies considered. This condition does not apply if the customer is a group and there is an open market and transparency in the pricing of goods or services; used/consumed by the customer in the same condition as the purchased one; transaction is not on more favourable terms for the related person, or no less favourable conditions for the group, than those available to or from independent third parties. Transactions with passive investor associates A related transaction of a revenue nature in the ordinary and normal course of operations of that group and under normal commercial conditions or better is completely exempted if: the transaction is linked only because it involves an associate (relevant associate) of a significant shareholder of that issuer; and a significant shareholder is a passive investor in that issuer and meets the following criteria: a sovereign fund, a unit trust or a trust fund authorised by the SFC/appropriate foreign body; has a wide range of investments other than issuing securities and the relevant associate; they and the relevant associate are related persons only because a significant shareholder of that issuer; is not the controlling shareholder of that issuer; there is no representative on the board of directors of that issuer and is not management of that issuer (including any impact on the management of that issuer through negative control on substantive issues); and is independent of the directors, the Chief Executive Officer, the controlling shareholder and all other significant shareholders(s) of that issuer. 10.2 Partially exempted related Transactions De minimis transactions Related transactions are exempt from the requirement for approval by independent shareholders (but subject to reporting and disclosure requirements) where: the related transaction is under normal commercial conditions or better; and all percentage ratios except profit ratios are/are year-on-year: less than 5%; or less than 25%, and the total fee is less than HK\$10 million. (Rule 14A.76(2)) Exemption for related persons at the subsidiary level Transactions with persons associated only at the subsidiary level are exempt from the shareholder's request for authorisation if: transactions are under normal commercial conditions or better; transactions are approved by the board of directors of the issuer; and the ISes confirm that the terms of the transactions are fair and reasonable and are in the normal commercial conditions and in the interest of the issuer and its shareholders as a whole (Rule 14.101). Subject to the above conditions, transactions between the issuer group and Mr X will be exempt from shareholder approval requirements. 10.3 Exemptions for financial assistance The fully exempt financial assistance provided by that issuer which is bank financial assistance provided by that issuer or its subsidiaries for the benefit of the related person or entity normally located shall be exempted entirely if it is: provided under normal commercial conditions (or better to the group); and each or all percentage ratios (excluding profit ratios) are/are: less than 0.1%; less than 1 %, and the transaction is linked only because it involves a person associated at the level of the issuing subsidiaries; or less than 5%, and the total value of assistance to a related person or entity usually held is less than \$3 million (Rule 14.87(2)). The fully exempt financial assistance provided by that non-bank issuer Financial assistance provided by that issuer or its non-bank subsidiary for the benefit of the related person in which the shareholder or entity normally held is exempted altogether if it is: insured under normal commercial conditions (or better for the group); and the assistance provided is proportionate to the ownership interest directly held by the issuer or its subsidiary in the related person/ Entity normally held and any guarantee is given on several grounds (Rule 14.89). The fully exempt financial assistance provided to that issuer Financial assistance provided to the issuer or its branch on the list by a related person or entity normally held is wholly exempted if provided under normal commercial conditions or to a better-listed issuer and the assets of that issuer or its subsidiaries (Rule 14.90). Partially exempted financial assistance provided by that issuer other than the bank Financial assistance provided by that issuer or its subsidiary for the benefit of the related person or entity normally held shall be exempted only from the requirement of independent shareholder approval if: assistance is provided under normal commercial conditions, but assistance is not proportionate to the direct ownership of the issuer or subsidiary in the relevant company or the guarantees given by the group are not several; and each or all of the percentage ratios (excluding profit ratios) are /are (and) less than 5%; or (i) less than 25% and the total value of assistance plus any preferential benefit to the related person or entity usually held is less than HK\$10 million. Discretion of the stock exchange In any situation, the Stock Exchange reserves the right to state that the exemption will not apply to a particular transaction. The stock exchange may also require any related transaction to be subject to the requirements of independent shareholder approval (rule 14.75). In April 2015, Specific advice should be sought in relation to any particular situation. This note is prepared on the basis of the laws and regulations in force on the day of this being, which may be subsequently amended, amended, re-enacted, re-hosted or replaced. Financial Assistance Rules Related Persons Chapter 14A rules of the Hong Kong General Board Continuation of related transactions associates related subsidiaries related person Considered related person Hong Kong Stock Exchange Related party transactions Related persons Related persons Regulations on related persons Guidelines for related persons

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