

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/August-2019-Codification-of-General-Waivers/Consultation-Paper/cp201908.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

Capitalised terms have the same meaning as defined in the Consultation Paper unless otherwise stated.

1. Do you agree with our proposal to codify the existing General Waiver such that bonus or capitalisation issues by a PRC incorporated issuer are exempted from shareholders' approvals in general meetings and separate class meetings?

Yes

No

You may provide reasons for your views.

2. Do you agree with our proposal to codify the existing General Waiver to modify the calculation of consideration ratio for a PRC incorporated issuer whose domestic shares are listed on a PRC exchange?

Yes

No

You may provide reasons for your views.

We do not see why the rationale should not be applied to dual listed companies as well, hence, we suggest the Exchange to explore the possibility of implementing the same concept for dual listed companies.

While all the shares for dual listed companies can technically be traded on both exchanges (which is a distinct difference from A and H shares), there are still two different prices for the shares. Applying the same principle, it is reasonable for dual listed companies to calculate the respective market capitalisation on both exchanges respectively. By setting a record date, the issuer will be able to find out how many shares are located in both exchanges respectively based on the share registrar record. With this information at hand, the issuer will be able to calculate their respective market capitalisations on both exchanges more accurately.

3. Do you agree with our proposal to codify the existing General Waiver to allow the listed issuer's stock code to be displayed prominently in the corporate or shareholder information section of financial reports as described in paragraph 30 of the Consultation Paper?

Yes

No

You may provide reasons for your views.

For new listings, we see the possible need of such waiver as the cover needs more time to print which the listing timetable may not allow.

We do not see any reason as to why the stock code cannot be displayed on the cover of financial reports. Therefore, we do not agree codifying such waiver as it will create unnecessary discrepancies on the covers of financial reports.

4. Do you agree with our proposal to codify the R4.04(2)&(4) Conditions as an exception to Main Board Rules 4.04(2) and 4.04(4) regarding the disclosure of financial information of subsidiaries or businesses acquired or to be acquired after trading record period?

Yes

No

You may provide reasons for your views.

5. Do you agree with our proposal to codify the R4.10 Waiver as an exception to Main Board Rule 4.10 regarding the disclosure of financial information of the overseas banking companies?

Yes

No

You may provide reasons for your views.

We recommend the Exchange to explicitly explain and provide adequate guidance on the definition of "functions similarity" between foreign regulators and the HKMA.

6. Do you agree with our proposal to codify the R8.21(1) Conditions as an exception to Main Board Rule 8.21(1) regarding the change of financial year period?

Yes

No

You may provide reasons for your views.

7. Do you agree with our proposal to (i) codify the modification provided by the General Waivers into Main Board Rules 13.46 and 13.49(1) subject to the new applicant meeting the Annual Results and Reports Waivers Conditions; (ii) codify similar exception to Main Board Rule 13.48(1) as well as GEM Rules 18.66 and 18.79; (iii) align the conditions for Interim Results Exemption with the Annual Results and Reports Waivers Conditions; and (iv) repeal PN 10 and consolidate the guidance with the relevant Main Board Rules?

Yes

No

You may provide reasons for your views.

8. Do you agree with the proposal to codify the waiver from disclosure of actual consideration of aircrafts to be acquired by listed airline operators, as described in paragraph 58 of the Consultation Paper?

Yes

No

You may provide reasons for your views.

The oligopolistic nature of aircraft manufacturing industry and strict confidentiality provisions in aircraft acquisition contracts also affect aircraft leasing listed issuers. While they are not airline operators as stipulated in the codification proposal, aircraft acquisition is still part of their ordinary and usual course of business. We ask the Exchange to consider whether the codification should also include such listed issuers, instead of only limiting to "airline operators".

9. Do you agree with the proposal to allow listed issuers to determine SpinCo's Scheme Limit with reference to SpinCo's shares in issue as at the date of SpinCo's listing?

Yes

No

You may provide reasons for your views.

10. Do you agree with the proposal to codify the waiver of the exercise price requirement for issuers dually listed on the Exchange and a PRC exchange as described in paragraph 65 of the Consultation Paper?

Yes

No

You may provide reasons for your views.

11. Do you agree with our proposal to codify the waiver described in paragraph 71 of the Consultation Paper in respect of the experience and qualification of company secretary into the Rules?

Yes

No

You may provide reasons for your views.

12. Do you agree with the proposals (a) to provide an exemption for Main Board listed issuers that are banking companies or insurance companies from including a working capital statement, subject to appropriate alternative disclosures in their listing documents and transaction circulars if they are able to meet the same conditions as those set out in Main Board Rule 8.21A(2), and (b) to limit Main Board Rule 8.21A(2) so that the exemption applies only to banking companies or insurance companies, subject to alternative disclosures in their listing documents and the conditions as described in paragraph 73 of the Consultation Paper?

Yes

No

You may provide reasons for your views.

We recommend that a definition of an "insurance company" should be added for the avoidance of doubt.

13. Do you agree with our proposal to codify the guidance in Guidance Letter HKEX-GL7-09 into the Rules for new applicants' easy reference?

Yes

No

You may provide reasons for your views.

14. Do you agree with our proposal to codify the guidance in Listing Decision HKEX-LD15-3 into the Rules for new applicants' easy reference?

Yes

No

You may provide reasons for your views.

15. Do you agree to amend Main Board Rule 17.05 to state clearly that the restricted period for grant of share options would cover the trading day after the announcement is made with respect to the inside information?

Yes

No

You may provide reasons for your views.

We wish to bring to the Exchange's attention that the main purpose of share options is a long term incentive scheme to reward the employees, and it should not be viewed as ordinary issuance of shares for placing or secondary fundraising. If the company achieves good results, the appreciation of its share price is part of the reward to the employee receiving the share options for his/her hard work in the past year. As such, the decision to grant share options (or any other incentive schemes such as share award or cash bonuses) should be made during the "black-out" period, and the grant price of the share options should be decided before the share price reflects the effect of the results announcement.

As any dealings in shares is prohibited in "black-out" periods, the only available window for issuers to grant attractive share options is the morning trading session before the market opens and share price reflects the results.

16. Do you agree with our proposal to codify the guidance in Guidance Letter HKEX-GL16-09 into the Rules for completeness?

Yes

No

You may provide reasons for your views.

17. Do you agree with our approach to the guidance in the guidance letter 18/02/2020? If not, please explain why to the extent you are able to.

17. Do you agree with our proposal to codify the guidance in Guidance Letter HKEX-GL31-12 into a new practice note to the Rules for completeness?

Yes

No

You may provide reasons for your views.

18. Do you agree with our proposal to codify the guidance in Guidance Letter HKEX-GL58-13 into the Rules for new applicants' easy reference?

Yes

No

You may provide reasons for your views.

We suggest the Exchange to consider codifying the similar guidance in Guidance Letter HKEX-GL6-09A in Main Board Rule 9.11 to set out complete documentary requirements at the time of the listing application.

19. Do you agree with our proposal to codify the guidance in Guidance Letter HKEX-GL60-13 into the Rules for new applicants' easy reference?

Yes

No

You may provide reasons for your views.

We noted that the Guidance Letter HKEX-GL60-13 does not mention any requirement of any written confirmation from the expert in relation to their expert opinion included in the Application Proof based on the work done for any stub period. We ask the Exchange to consider if this needs to be supplemented in the rules and guidance now.

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