



Stevenson, Wong & Co.
史蒂文生黃律師事務所

In Association With | AllBright Law Offices | 锦天城律師事務所

Our Ref : [REDACTED]

Your Ref : [REDACTED]

Reply Email : [REDACTED]

Reply Fax : [REDACTED]

Direct Line : [REDACTED]

Date : 24 March 2023

Reply to : [REDACTED]

Partners:

Willy Y.P. Cheng*
Hank H.F. Lo*
Wendy W.S. Lam*
Lai S. Lam*
Cornelia W.C. Chu*
Heidi H.Y. Chui*
Rodney Y.F. Teoh*
Milly Y.K. Hung*
Osbert Y. Hui*
Janice L.H. Chin
Erica Y.Y. Cheng
Calvin K.F. Lo*
Gordon H.Y. Tsang
Dominic C.M. Lau*

鄭炎潘
勞恒晃
林穎詩
林麗嫦
朱憲潛
徐凱怡
張源輝
洪玉暉
許 懿
陳麗卿
鄭鈺茵
羅啟峰
曾浩賢
劉俊明

Senior Consultant:

Catherine K.G. Por**

傅景元

* Notary Public of Hong Kong
香港國際公證人

o China-Appointed Attesting Officer
中國委託公証人

o Civil Celebrant of Marriages
婚姻監禮人

BY EMAIL [REDACTED] ONLY

Corporate and Investor Communications Department
Hong Kong Exchanges and Clearing Limited
8th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Consultation Paper on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers on 24 February 2023 (the “Consultation Paper”)

We refer to the captioned matter. We hereby submit the comments thereto for your consideration. Unless otherwise defined herein, capitalised terms used in this submission shall have the same meanings as those defined in the Consultation Paper.

Should you have any questions on our responses or proposals or would like to discuss any of our comments, please feel free to contact our [REDACTED] at [REDACTED] or [REDACTED] at [REDACTED]

Yours faithfully,

[REDACTED]

STEVENSON, WONG & CO.

香港中環皇后大道中15號置地廣場告羅士打大廈39樓
39/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong
香港中環皇后大道中28號中匯大廈501室
501, Central Tower, 28 Queen's Road Central, Hong Kong

锦天城律師事務所 AllBright Law Offices:

香港 廣州 上海 北京 杭州 深圳 蘇州 南京 成都 重慶 太原 青島 廈門 天津 濟南 合肥 鄭州 福州 南昌 西安 長春 武漢 烏魯木齊 海口 長沙 倫敦 西雅圖 新加坡 東京
Hong Kong Guangzhou Shanghai Beijing Hangzhou Shenzhen Suzhou Nanjing Chengdu Chongqing Taiyuan Qingdao Xiamen Tianjin Jinan Hefei Zhengzhou Fuzhou Nanchang
Xi'an Changchun Wuhan Urumqi Haikou Changsha London Seattle Singapore Tokyo

電話 Tel: +852 2526 6311

傳真 Fax: +852 2845 0638

電郵 Email: info@sw-hk.com

www.sw-hk.com Member of Interlaw since 1982

CHAPTER 1: OTHER PROPOSED RULE AMENDMENTS

A. Proposals to modify Rules related to the “separate classes” of domestic shares and H shares

(1) Shareholders’ mandates for issuance of new shares

Question 1: *Do you agree with the proposal to set the limit on general mandate for issuance of new shares at 20% of the total issued shares of a PRC issuer, instead of 20% of each of domestic shares and H shares?*

Please provide reasons for your views.

Reply

Domestic shares and H shares are practically the same class of shares giving shareholders same set of voting rights. Coupled with the increasing project experience with full H-share circulation and Stock Connect, we agree with the Exchange that it is an opportune time to set the limit on general mandate for issuance of new shares at 20% of the total issued shares of a PRC issuer. We note that this may result in the potential reduction in size of the H share market relative to the A share market, thereby reduce the relative liquidity and investors’ interest in the H share market. Please see below our reply to Question 2 for this regard.

Question 2: *Do you have a concern that given fund raisings through the issuance of A shares may result in an increase in the number of A shares over H shares, the market size and liquidity of the H share market may reduce relative to the A share market?*

Do you think there should be other provisions to promote the long term development of the H share market, if so please provide reasons for your views and any suggestions.

Reply

As stated above, there may be reduction in size of the H share market if the limit on general mandate for issuance of new shares at 20% of the total issued shares of a PRC issuer, instead of 20% of each of domestic shares and H shares. In such case, we suggest the Exchange may include an additional requirement that the percentage of H shares compared to the issuer’s total issued shares should not be less than a certain percentage, which the Exchange considers to be appropriate. Also, many lower market cap H-share issuers may not have A shares. As such, the amendment to 20% of total issued shares actually provides additional flexibility and liquidity to H share market.

Furthermore, the relative market size and liquidity of the H share and A share market are influenced by various factors, and the fact that increase in the number of A shares over H shares is a relatively insignificant factor leading to the reduction of the market size and liquidity of the H share market.

To promote the long-term development of the H share market, the Exchange could consider implementing measures such as opening up the market to more foreign investors and expansion of the scope of the Stock Connect program to include more securities and investors, so as to enhance the competitiveness and increase the liquidity and trading volume of the H share market.

Question 3: *Do you agree with the proposal to set the limit on scheme mandate for share schemes at 10% of the total issued shares of a PRC issuer, instead of 10% of each of domestic shares and H shares?*

Please provide reasons for your views.

Reply

We agree that the Exchange should set the limit on scheme mandate for share schemes at 10% of the total issued shares of a PRC issuer instead, with reasons provided in the answer to Question 1.

B. Proposals to remove or modify other requirements in Chapter 19A which are no longer necessary

(1) Undertakings by directors, officers and supervisors to the PRC issuers and their shareholders

Question 4: *Do you agree with the proposal to remove the requirements for directors, officers and supervisors to provide undertakings to the PRC issuers and their shareholders?*

Please provide reasons for your views.

Reply

Provided that PRC issuers and their shareholders have means to enforce their rights against the directors, supervisors and officers under the PRC laws and regulations, we generally agree with the proposal to remove the requirements for directors, officers and supervisors to provide undertakings to the PRC issuers and their shareholders.

(2) Sponsors and compliance advisers

Question 5: *Do you agree with the proposal to move the requirements for compliance advisers set out in Rules 19A.05(2) and 19A.06(3) to Chapter 3A?*

Please provide reasons for your views.

Reply

We agree with the proposal to move the requirements for compliance advisers as set out in Rules 19A.05(2) and 19A.06(3) to Chapter 3A.

At present, the requirements for compliance advisers are located in two different chapters of the Listing Rules, which can be confusing and difficult to navigate. By consolidating the requirements in a single chapter of the Listing Rules, issuers and advisers would find it simpler to understand and follow.

Question 6: Do you agree with the proposal to remove Rules 19A.05(3), 19A.05(4), 19A.06(1) and 19A.06(4)?

Please provide reasons for your views.

Reply

We agree with the proposal to remove Rules 19A.05(3) and 19A.05(4) because we consider such additional requirements should not be imposed to PRC issuers solely because they were incorporated in the PRC and it may not be practical to immediately find a replacement Compliance Adviser.

For the requirements of Rule 19A.06(1), sponsors always have the responsibility, after making reasonable due diligence, to satisfy themselves that applicants comply with the conditions as set out in Chapter 8 of the Listing Rules and make corresponding declaration to the Exchange according to Appendix 19 of the Listing Rules. Accordingly, as we do not see material difference without having such requirements, we agree with such proposal.

We agree to remove Rule 19A.06(4). Issuers usually would have appointed company secretaries (which is Hong Kong qualified pursuant to requirements under Rule 3.28) who would invariably act as the issuers' authorised representative as well. As such, Rule 19A.06(4) appears not to be necessary.

(3) Online display and physical inspection of documents

Question 7: Do you agree with the proposal to remove the requirements relating to online display and physical inspection of documents under Rules 19A.50 and 19A.50A?

Please provide reasons for your views.

Reply

We agree with the proposal to remove the requirements relating to online display and physical inspection of documents under Rule 19A.50 and Rule 19A.50A.

Regarding the removal of the requirement of Rule 19A.50, as the requirement to publish the reports online would still be in place under other rules, no significant impact will be imposed.

Pursuant to Rule 19A.50A, a PRC issuer should make available copies of (i) a complete duplicate register of shareholders and (ii) the minutes of meetings of shareholders. Given that the branch register of members in Hong Kong are open for inspection under Appendix 3 of the Listing Rules and most information as set out in the minutes of the meetings of shareholders should be available in the relevant circular and poll results announcement which are published online, we do not see much difference for removing the requirement under Rule 19A.50A as well.

(4) Listing document requirements for new applicants

Question 8: Do you agree with the proposal to remove the requirements relating to disclosure of

material differences between the laws and regulations in the PRC and Hong Kong in listing documents of new applicants that are PRC issuers?

Please provide reasons for your views.

Reply

We disagree with the proposal to remove the requirements relating to disclosure of material differences between the laws and regulations in the PRC and Hong Kong in listing documents of new applicants that are PRC issuers.

The said requirements aim to provide investors with a clear understanding of the potential impact of regulatory differences on the issuer's business, which is particularly important for investors who may not be familiar with the regulatory environment in the PRC. Removing such requirement may make it more difficult for investors to accurately assess the risks associated with investing in these issuers. Furthermore, while PRC issuers are subject to a range of regulatory requirements and disclosure obligations in both the PRC and Hong Kong, these obligations may not always fully capture all of the material differences between the two regulatory regimes. Therefore, we consider it is crucial to ensure that investors have access to comprehensive and accurate information to make informed investment decisions.