

Source:From Qualtrics

Company/Organisation name*:

China Tonghai Securities Limited

Company/Organisation type*:

Corporate Finance Firm / Bank

If "other" is selected, please specify the company/organisation type

Contact Person*:

■

Name*:

■

Job Title:

■

Phone no.*:

■

Email Address*:

■

Question 1

Do you agree that the Equivalence Requirement and the concept of “Recognised Jurisdictions” and “Acceptable Jurisdictions” should be replaced with one common set of Core Standards for all issuers?

Yes

Please give reasons for your views.

One common set of Core Standards can be easier for reference and meet for compliance purpose.

Question 2a

Do you agree with the proposed Core Standards set out in paragraphs 79 to 137 of the Consultation Paper?

Yes

Please give reasons for your views.

The proposed Core Standards in paragraphs 79 to 137 are required in accordance with the standards set by the Hong Kong Companies Ordinance or the listing rules.

Question 2b

Do you agree that the existing shareholder protection standards set out in Schedule C of the Consultation Paper should be repealed?

Yes

Please give reasons for your views.

The proposed Core Standards in paragraphs 79 to 137 are required in accordance with the standards set by the Hong Kong Companies Ordinance or the listing rules.

Question 3

Do you agree to codify the current practice that all issuers must conform their constitutional documents to the Core Standards or else demonstrate, as necessary for each standard, how the domestic laws, rules and regulations to which the issuer is subject and its constitutional documents, in combination, provide the relevant shareholder protection under the Core Standards?

Yes

Please give reasons for your views.

The Core Standards can give a clear guideline or standard when the issuers apply for listing in Hong Kong.

Question 4

Do you believe any other standards or Listing Rules requirements, other than those set out in paragraphs 79 to 137 or Schedule C of the Consultation Paper, should be added or repealed?

Yes

Please provide these other standards with reasons for your views.

We agree with those set out in paragraphs 79 to 137 or Schedule C and don't have more standards to add.

Question 5

Do you agree that existing listed issuers should be required to comply with the Core Standards?

No

Please give reasons for your views.

The existing listed issuers complied to the rules or requirements when they apply for listing at that time. There is no need to let the existing listed issuers comply with the Core Standards just for easy reference since it will have an extra cost and more documents to the existing listed issuers.

Question 6a

Do you agree that existing listed issuers should have until their second annual general meeting following the implementation of our proposals to make any necessary amendments to their constitutional documents to conform with the Core Standards?

Please give reasons for your views.

Question 6b

Do you agree that the application of the Core Standards will not cause existing listed issuers undue burden?

Please give reasons for your views.

Question 7

Do you agree with the principles set out in paragraph 155 of the Consultation Paper for use when considering waiver applications from Overseas Issuers applying for a dual primary listing in Hong Kong?

Yes

Please give reasons for your views.

Although waiver applications will be considered from overseas issuers applying for dual primary listing in Hong Kong, there were no clear guidance on the common waivers. If the principles are set out for these common waivers, it will be easier for the overseas issuers and relevant parties to comply with and be checked with a clear standard.

Question 8

Do you agree to codify certain Common Waivers and the prescribed conditions as described in paragraph 158 of the Consultation Paper?

Yes

Please give reasons for your views.

We don't have any opinion on this point.

Question 9

Do you agree that Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR and/ or VIE Structures should be able to apply for dual primary listing directly on the Exchange as long as they can meet the relevant suitability and eligibility requirements under Chapter 19C of the Listing Rules for Qualifying Issuers with a WVR structure?

No

Please give reasons for your views.

Although this rule can attract a large number of high-quality issuers to apply for dual primary listing on HKEx and active the Hong Kong stock market, the protection for local investors will be reduced.

According to the current rules, it only accepts WVR structure with 1 share for a maximum of 10 votes in Hong Kong and some listed Chinese concept issuers will fail to meet the requirements, like Alibaba (09988.HK) and JD.com (09618.HK). For JD.com, the class B shares which held by founder Liu Qiangdong have 20 votes per share. If it allows the above-mentioned privileges for all Chinese Concept issuers in

Hong Kong, the interests of local investors will be weakened. While most Chinese concept issuers will choose to be listed in the US market first, then return to Hong Kong for a secondary listing after adopting the looser local governance requirements.

Question 10

Do you agree that Grandfathered Greater China Issuers and Non-Greater China Issuers referred to in Question 9 above be allowed to retain their Non-compliant WVR and/ or VIE Structures (subsisting at the time of their dual primary listing in Hong Kong) even if, after their listing in Hong Kong, they are de-listed from the Qualifying Exchange on which they are primary listed?

No

Please give reasons for your views.

Although this rule can attract a large number of high-quality issuers to apply for dual primary listing on HKEx and active the Hong Kong stock market, the protection for local investors will be reduced.

According to the current rules, it only accepts WVR structure with 1 share for a maximum of 10 votes in Hong Kong and some listed Chinese concept issuers will fail to meet the requirements, like Alibaba (09988.HK) and JD.com (09618.HK). For JD.com, the class B shares which held by founder Liu Qiangdong have 20 votes per share. If it allows the above-mentioned privileges for all Chinese Concept issuers in Hong Kong, the interests of local investors will be weakened. While most Chinese concept issuers will choose to be listed in the US market first, then return to Hong Kong for a secondary listing after adopting the looser local governance requirements.

Question 11

Do you agree with our proposal to codify requirements (with the amendments set out in the Consultation Paper) relating to secondary listings in Chapter 19C of the Listing Rules and re-purpose Chapter 19 of the Listing Rules as one dedicated to primary listings only?

Yes

Please give reasons for your views.

Agree so as to reduce complexity.

Question 12

Do you agree that the Exchange should implement the quantitative eligibility criteria as proposed in paragraphs 199 and 201 of the Consultation Paper for all Overseas Issuers without a WVR structure (including those with a centre of gravity in Greater China) seeking to secondary list on the Exchange?

Yes

Please give reasons for your views.

Based on the current listing rules of HKEx, all Overseas Issuers shall be listed for at least 2 years with a market value of at least HK\$40 billion or a market value of more than HK\$10 billion and revenue of more than HK\$1 billion at the time of secondary listing if it applies for the secondary listing on HKEx. Currently, there are more than 200 Chinese concept issuers listed in the United States. According to PCAOB (Public Company Accounting Oversight Board), 236 Chinese listed companies have encountered audit obstacles during the annual report audit process, which means the listing status of these Chinese listed companies in the United States is at stake. If it lowers the market capitalization requirements for Hong Kong's secondary listing, it will be able to attract these Chinese concept issuers to return to Hong Kong for listing and increase the activity of Hong Kong IPO market.

Question 13

Do you agree that an exemption from the listing compliance record requirement be introduced, similar to the current JPS exemption, to cater for secondary listing applicants without a WVR structure that are well-established and have an expected market capitalisation at listing that is significantly larger than HK\$10 billion?

Yes

Please give reasons for your views.

Agree but "significantly larger than" should be better defined.

Question 14

Do you agree that new secondary listing applicants without a WVR structure (including those that have a centre of gravity in Greater China) should not have to demonstrate to the Exchange that they are an "Innovative Company"?

Yes

Please give reasons for your views.

The rule that those issuers without a WVR (including those that have a centre of gravity in Greater China) must prove they are an "Innovative Company" leads to the result that many high-quality issuers engaged in traditional industries in Greater China cannot apply for secondary listing in Hong Kong.

If the exemption for this rule is adopted, many Chinese concept issuers, apart from those Innovative Companies, can apply for secondary listing in Hong Kong, thus will attract more Chinese concept issuers to return to Hong Kong. It can help enhance the international investors' attention to Hong Kong stock market and the status as the international financial center.

According to the information from SFC and HKEx, the average daily turnover of the Hong Kong stock market in 2019 was HK\$87.2 billion, while it was HK\$129.5 billion in 2020, with a year-on-year increase of 49% after the return of China concept issuers to Hong Kong. Assuming the exemption from the rule of "Innovative Company", the daily turnover of Hong Kong stock market is expected to continue to increase.

Question 15

Do you agree that a Rule should be introduced to make it clear that the Exchange retains the discretion to reject an application for secondary listing if it believes the listing constitutes an attempt to avoid the Listing Rules that apply to primary listing?

Yes

Please give reasons for your views.

Question 16

Do you agree that the Exchange should apply the test for a reverse takeover, as described in paragraph 210 of the Consultation Paper, if the Exchange suspects that an issuer's secondary listing application is an attempt to avoid the Listing Rules that apply to primary listing?

Yes

Please give reasons for your views.

Question 17

Do you agree that the scope of the Trading Migration Requirement should be extended to cover all issuers with a secondary listing?

Yes

Please give reasons for your views.

For the sake of consistency.

Question 18

In your opinion, will the extension of the Trading Migration Requirement to all secondary listed issuers be unduly burdensome for those that are not currently subject to this requirement?

No

Please give reasons for your views.

Not aware of this being burdensome.

Question 19

Do you agree with the codification of the principles set out in paragraph 215 of the Consultation Paper on which exemptions/ waivers are granted to secondary listed issuers?

Yes

Please give reasons for your views.

Given that the Exchange is believed to have the right to interpret the principles.

Question 20

Do you agree to codify the Automatic Waivers and conditional Common Waivers in the Listing Rules for all issuers with, or seeking, a secondary listing?

Yes

Please give reasons for your views.

For better expectation management.

Question 21

Do you agree with the removal of the current condition for granting a waiver from the shareholders' consent requirement relating to further issues of share capital for secondary listed issuers as described in paragraphs 218 and 219 of the Consultation Paper?

Yes

Please give reasons for your views.

For the sake of simplification.

Question 22

Do you agree that secondary listed issuers should comply with the requirements for a diversity policy and for such policy to be disclosed in their annual reports (for the reasons set out in paragraph 223 of the Consultation Paper)?

Yes

Please give reasons for your views.

Given that complying with such requirements would not incur a significant extra burden.

Question 23

Do you have any comments on the content of the Guidance Letter in relation to trading migration and de-listing of secondary listed issuers from their overseas exchanges of primary listing set out in Schedule E of the Consultation Paper?

No

Please give reasons for your views.

Question 24

Do you agree that the Exchange should codify the Regulatory Co-operation Requirement (with modification as described in paragraph 242 of the Consultation Paper) into Chapter 8 of the Listing Rules for all issuers?

Yes

Please give reasons for your views.

Question 25

Do you agree that the Exchange should retain as guidance the alternative auditing standards listed in

paragraph 249 of the Consultation Paper that can be used to audit the financial statements of Overseas Issuers?

Yes

Please give reasons for your views.

Since the key countries are well covered.

Question 26

Do you agree to codify the JPS requirement that the suitability of a body of alternative financial reporting standards depends on whether there is any significant difference between that body of standards and IFRS, and whether there is any concrete proposal to converge or substantially converge the standards with IFRS?

Yes

Please give reasons for your views.

As the IFRS is well recognised.

Question 27

Do you agree to retain, as guidance, the list of acceptable alternative financial reporting standards that can be used to prepare the financial statements of Overseas Issuers subject to the current limitations on their use as set out in Table 7 (see Schedule E of the Consultation Paper)?

Yes

Please give reasons for your views.

Question 28

Do you agree to codify the JPS requirement that a dual primary or secondary listed issuer that adopts a body of alternative financial reporting standards for its financial statements (other than issuers incorporated in an EU member state which adopted EU-IFRS) must adopt HKFRS or IFRS if it de-lists from the jurisdiction of the alternative standards?

Yes

Please give reasons for your views.

Question 29a

Do you agree that issuers that de-list from a jurisdiction of an alternative financial reporting standard should be given an automatic grace period (i.e. an application to the Exchange is not required) within which to adopt IFRS or HKFRS?

Yes

Please give reasons for your views.

Agreed, but the grace period should be made extendable upon consent by the Exchange.

Question 29b

Do you agree that this grace period should end on the issuer's first anniversary of its de-listing?

Yes

Please give reasons for your views.

Agreed, but the grace period should be made extendable upon consent by the Exchange.

Question 30

Do you agree that, for the sake of consistency of approach, an issuer must demonstrate a reason for adopting US GAAP for the preparation of its financial statements (including annual financial statements and the financial statements included in its accountants' reports) and adopt IFRS or HKFRS if the circumstances underpinning those reasons change (e.g. it de-lists from a US exchange)?

Yes

Please give reasons for your views.

Question 31

Do you agree that any issuer that wishes to adopt US GAAP for the preparation of its annual financial statements must include a reconciliation statement showing the financial effect of any material differences between its financial statements and financial statements prepared using HKFRS or IFRS?

Yes

Please give reasons for your views.

Question 32

Do you agree to codify the amendment to the FRCO that established the PIE Engagement regime into the Listing Rules?

Yes

Please give reasons for your views.

Question 33

Do you agree to amend the Listing Rules to codify the requirement that an issuer normally appoint a firm of practising accountants that is qualified under the PAO and is a Registered PIE Auditor under the FRCO to prepare an accountants' report that constitutes a PIE Engagement under the FRCO?

Yes

Please give reasons for your views.

Question 34

Do you agree to amend the Listing Rules to allow Overseas Issuers to appoint an audit firm that is not qualified under the PAO (but it is a Recognized PIE Auditor of that issuer under the FRCO) for PIE Engagements to prepare an accountants' report for a reverse takeover or a very substantial acquisition circular relating to the acquisition of an overseas company?

Yes

Please give reasons for your views.

Question 35

Do you agree to amend the Listing Rules to codify the JPS requirement that, in relation to the PIE Engagements and notifiable transactions, overseas audit firms must normally fulfil the characteristics described in paragraph 271 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 36

Do you agree to amend the Listing Rules to codify the amendments to the FRCO on the collection of levies by the Exchange on behalf of the FRC as described in paragraphs 280 and 281 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 37

Do you agree to codify the JPS requirement for Company Information Sheets as described in paragraphs 283 to 288 of the Consultation Paper?

Yes

Please give reasons for your views.

Question 38

Do you agree that the Company Information Sheet requirement should be applied to: (a) secondary listed issuers; and (b) any other Overseas Issuer, at the Exchange's discretion, where it believes the publication of a Company Information Sheet would be useful to Hong Kong investors?

Yes

Please give reasons for your views.

Question 39

Do you agree to amalgamate the guidance described in paragraphs 289 and 290 of the Consultation Paper into one combined guidance letter for overseas issuers (see Schedule E of the Consultation Paper)?

Yes

Please give reasons for your views.

Comment