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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.**

We agree that generally all issuers should, irrespective of their places of incorporation and which

chapter of the Listing Rules the listing relates to, be subject to the same set of fundamental shareholder protection standards. However, we note and agree that Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR Structures permitted under the Listing Rules may warrant special considerations and hence certain deviations from some of these standards, i.e. in relation to removal of directors and casual vacancy appointments, as explained in paragraphs 81 and 84 of the Consultation Paper.

### **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.**

We generally agree with the proposed Core Standards, but would suggest the following modifications be made to some of them:

- For the Core Standards relating to removal of directors and casual vacancy appointments, the Exchange proposes that it will take a case-by-case approach to determine the applicability of these standards to Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR Structures where these standards would undermine the effectiveness of their WVR structures. In this regard, we suggest further guidance be provided as to the factors and circumstances the Exchange will take into account in determining whether to allow such issuers to deviate from these Core Standards.

- For the Core Standard relating to notice of general meetings, we suggest the wordings of the note be modified as follows:

“Reasonable written notice” normally means the written notice is given at least 21 days before an annual general meeting and at least 14 days before other general meetings...”

- For those Core Standards relating to matters which require “super-majority vote” of the issuer’s members, we believe PRC issuers should also be subject to the same standard (i.e. using the three-fourths majority definition of a “super-majority vote”) to ensure equal treatment of all issuers, irrespective of their places of incorporation.

- For the Core Standard relating to inspection of Hong Kong branch register, the Exchange should consider whether giving members an absolute right of inspection might be prohibited under the laws of

any overseas jurisdictions, and whether such a right should be subject to certain caveats (e.g. the company may resist disclosure where the inspection was sought for an improper purpose or where it is necessary for the protection of privacy and confidentiality of its members).

### **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.**

We agree with the reasons for repeal set out in Schedule C.

### **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.**

### **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?**

No

**Please provide these other standards with reasons for your views.**

### **Question 5**

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

Yes

**Please give reasons for your views.**

This is consistent with the principle that all issuers should generally be subject to the same set of fundamental shareholder protection standards.

**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?**

Yes

**Please give reasons for your views.**

According to the Consultation Paper, the Exchange has already conducted a review and concluded that the vast majority of existing listed issuers are already providing the proposed Core Standards. On the basis that it would not be inconsistent with the applicable domestic laws, rules and regulations for existing listed issuers to amend their constitutional documents to conform with the Core Standards and flexibility will be given to the Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR Structures as to the applicability of some of the Core Standards, we believe this proposal, including the timeline for implementation, will unlikely cause them undue compliance burden.

**Question 6b**

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

Yes

**Please give reasons for your views.**

Please refer to our response to Question 6(a),

**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.**

We suggest the proposed principles be modified as follows:

(a) to further elaborate on the circumstances which the Exchange would consider to be “unduly burdensome or unnecessary”; and

(b) to provide that in appropriate circumstances, the Exchange may require Overseas Issuers to be subject to alternative compliance requirements in order to provide sufficient safeguards for investors as one of the conditions for granting the waivers.

**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.**

**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?**

Yes

**Please give reasons for your views.**

We actually do not see any compelling reason why the current Listing Rules require these issuers to amend their Non-compliant WVR and/ or VIE Structures if they seek a primary listing in Hong Kong, while they are allowed to retain the existing structures upon trading migration if they first apply for a secondary listing. So we believe the proposed change is sensible and consistent with the Exchange’s strategic plan to attract more overseas issuers to pursue a listing in Hong Kong.

Separately, we note that there is no discussion in the Consultation Paper as to whether the Exchange has considered as part of this holistic review the possibility of opening up the listing regime to Non-

Grandfathered Greater China Issuers Non-compliant WVR and/ or VIE Structures subject to appropriate safeguards. If this has not been done, we suggest this may worth exploring in the near future in order to further streamline the listing regime for all overseas primary and secondary issuers.

**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?**

Yes

**Please give reasons for your views.**

If these issuers are allowed to apply for dual primary listing directly on the Exchange with their Non-compliant WVR and/ or VIE Structures as proposed, it should not matter whether they continue their listing status on the Qualifying Exchange. We therefore agree that they should be allowed to retain the pre-existing structures even if they are delisted from the Qualifying Exchange (or they become secondary listed on the Qualifying Exchange).

**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.**

**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.**

We generally agree with the proposal to lower the quantitative eligibility requirements for Overseas

Issuers with a centre of gravity in Greater China to largely align with those for Overseas Issuers without a centre of gravity in Greater China so that we can attract more secondary listings.

As to the two limbs of the quantitative eligibility requirements, we do not have objection to the second limb (i.e. the minimum expected market capitalisation at the time of secondary listing) of either of the two proposed sets of quantitative eligibility requirements. However, we are doubtful of the rationale of permitting a shorter listing track record of good regulatory compliance on the issuers' exchange of primary listing for issuers simply having a larger expected market capitalisation.

**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?**

No

**Please give reasons for your views.**

We believe the listing compliance record requirement is essential to help ensure the quality of the secondary listing applicants, and this should not be compromised even for well-established companies of a significant size.

**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.**

We agree that the same set of listing criteria should generally apply to all Overseas Issuers without a WVR structure (including those with a centre of gravity in Greater China) seeking to secondary list on the Exchange. Issuers having a centre of gravity in Greater China in traditional industries should not be precluded from pursuing a secondary listing on the Exchange.

**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.**

We agree that the potential regulatory arbitrage risks should be addressed by retaining the Exchange's 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. However, we suggest that the new Rule should provide more details on how such discretion will be exercised (see also our response to Question 16 below).

**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.**

We can conceive that it is possible, but not necessarily, for an issuer to seek regulatory arbitrage by first obtaining a primary listing status overseas through a reverse takeover and then applying for a secondary listing in an attempt to circumvent the primary listing requirements.

However, the Exchange should consider modifying this proposal by:

- considering whether there might be circumstances where transactions of a secondary listing applicant conducted before making the secondary listing application may constitute a reverse takeover based on the test in Rule 14.06B, yet its listing application should not be regarded as an attempt to avoid the primary listing requirements;
- elaborating on how to determine whether a material part of the applicant's business is listed on its primary exchange by way of a reverse takeover; and
- clarifying whether this is the only circumstance (or just one of the examples) where the Exchange will exercise its discretion to reject a secondary listing application.

**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.**

#### **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.**

Logically, if the majority of trading in the secondary listed issuers' securities has migrated to the Exchange's markets, they should be regarded as having a primary listing in Hong Kong, and should therefore be subject to the same requirements as those applicable to primary listed issuers. Considering that they will have a grace period of 12 months within which to comply with the applicable Listing Rule requirements, we believe it would not be unduly burdensome for issuers to comply with the Trading Migration Requirement.

#### **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.**

#### **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.**

**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.**

We agree with the Exchange's reasons set out in paragraph 219.

**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.**

We do not consider this requirement to be unduly burdensome for secondary listed issuers.

**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.**

We agree, subject to auditing firms' views on whether any modification is needed.

**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.**

We agree, subject to accounting firms' views on whether any modification is needed.

**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.**

We agree, subject to accounting firms' views on whether any modification is needed.

### **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.**

We agree, subject to accounting firms' views on whether any modification is needed.

### **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.**

### **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.**

We suggest the grace period to end on the issuer's first full financial year end after its de-listing from the overseas 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.**

We agree, subject to accounting firms' 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.**

We agree, subject to accounting firms' 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.**

We agree, subject to views from auditing/accounting firms.

**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.**

We agree, subject to views from auditing/accounting firms.

**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**