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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.**

Good shareholder protection is of vital importance for Hong Kong capital market to continue attracting

capital around the world and maintain the position as one of the world's leading equity fundraising destinations. However, the current shareholder protection requirements set out in the Listing Rules, JPS and Country Guides for Overseas Issuers (i.e. the Equivalence Requirement) are complicated, and some inconsistencies even exist for Overseas Issuers incorporated in different jurisdictions.

Therefore, we support the Exchange's proposals to streamline the shareholder protection standards by replacing with one set of "Core Standards" for all issuers. We believe one common set of standards including those relevant requirements only can reduce complexity and drive consistency of shareholder protection among all issuers regardless of where they are incorporated.

### **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 agree with the proposed Core Standards set out in paragraphs 79 to 137, which is fundamentally codifying the existing shareholder protection requirements with changes made to close the current gap between requirements applicable to issuers incorporated in different jurisdictions.

### **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you agree that the existing shareholder protection standards set out in Schedule C of the Consultation Paper should be repealed?**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 also agree to repeal those existing shareholder protection standards set out in Schedule C to streamline the requirements as they are duplicated, out-dated and/or do not concern fundamental shareholders' rights commonly found in the company laws/listing rules of leading stock markets.

### **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 current practice has been proven to be effective for years.

#### **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?**

**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.**

We do not object the existing issuers should apply the Core Standards. While some issuers may be required to alter their constitutional documents to comply with the Core Standards, it is not expected to cause undue burden to existing issuers as the Core Standards are fundamentally codifying the existing shareholder protection requirements with changes made to close the gap between requirements applicable to issuers incorporated in different jurisdictions only.

#### **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.**

While we agree with the proposals, we suggest the Exchange may consider, on a case-by-case basis and the availability of alternative measures which can bring the same level of shareholder protection as the

Core Standards to the investors, to grant waiver(s) to the existing listed issuers from strict compliance on a particular Core Standard other than those circumstances described in paragraphs 110, 119 and 136 when they are facing difficulty to comply with the full set of Core Standards.

**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 see the 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.**

It can drive consistency of waivers granted to Overseas Issuers. Also, it can provide Overseas Issuers with more clarity on the listing regime and greater certainty as to what requirements are applicable to them.

**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.**

Please see the response to Question 7.

**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 agree with the Exchange's proposal to allow Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR and/or VIE Structures to apply for a dual primary listing directly on the Exchange as long as they can meet the suitability and eligibility requirements as set out in Chapter 19C of the Listing Rules. It is regarded as an alignment of approach than granting of any new concessions and the proposal could eliminate the asymmetric treatment among different 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.**

We believe it is appropriate for the Exchange to provide guidance allowing Grandfathered Greater China Issuers and Non-Greater China Issuers with Non-compliant WVR and/or VIE Structures, including both dual primary and secondary listed issuers, to retain their non-compliant structures if they are de-listed from their Qualifying Exchange, considering that their listings on the Qualifying Exchange are not in an attempt to circumvent the relevant requirements under Chapter 8A of the Listing Rules.

#### **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.**

We support the Exchange's proposal to re-purpose Chapter 19C as one dedicated chapter for secondary listings. This could enable different issuers who are seeking a secondary listing in Hong Kong to navigate through the requirements in one place, which greatly reduce complexity as compared to the existing regime with the co-existence of the JPS and Chapter 19C.

### **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 concur with the proposal to implement two sets of quantitative eligibility requirements currently provided under the JPS (i.e. Criteria A) and Chapter 19C (i.e. Criteria B) for all Overseas Issuers without WVR structures as a mean to consolidate the two existing routes to secondary listing. This move largely represents codification of existing requirements with certain mild amendments, which enhance consistency of treatment among issuers without WVR structures regardless of the location of their businesses.

### **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.**

It is considered as a codification of the principles set out in the JPS only.

### **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 imposition of “innovation company” requirement was initially intended to limit the number of issuers with WVR structures to list in Hong Kong. Extending this requirement to all secondary listing applicants had gone beyond the regulatory intention and could prevent a pool of good quality Greater

China issuers from secondary listing in Hong Kong. It is considered that the retention of a discretionary right by the Exchange to reject an application when it is believed that the issuer is attempting to circumvent the Listing Rules that apply to primary listing would be sufficient in addressing the potential regulatory arbitrage risk.

#### **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 the Exchange should reserve the right to reject any listing application which is attempting to circumvent the Listing Rules in order to maintain the quality of Hong Kong capital market.

#### **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.**

The test for reverse takeover set out in Chapter 14 of the Listing Rules can be adopted for secondary listing application as the purpose of this test is also for detecting whether a transaction is attempting to circumvent the listing requirements stipulated in the Listing Rules.

#### **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.**

We agree that the Trading Migration Requirement should be applied consistently to all secondary listed issuers to maintain a level playing field between Greater China and Non-Greater China Issuers.

**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?**

Yes

**Please give reasons for your views.**

The extension of Trading Migration Requirement to those secondary listed issuers that are not currently subject to the requirement could be unduly burdensome for them as they may not be able to enjoy the waivers for secondary listing. That said, this is not expected to have a wide impact given the limited number of non-Greater China secondary listed issuers.

**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.**

Please see the response to Question 7.

**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.**

Please see the response to Question 7.

**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.**

This is consistent with the Exchange's aim to simplify and standardise the Listing Rules for all Overseas Issuers.

**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 support the proposal that promotes corporate governance.

**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.**

While the JPS is proposed to be withdrawn, we support the proposed codification of the JPS requirements as mentioned in the Consultation Paper into the Listing Rules or consolidation into a new guidance letter. This aligns with the overall objective to streamline the existing listing regime for Overseas Issuers and we believe that it could provide more clarity to issuers and market participants.

### **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.**

Please see the response to Question 24.

### **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.**

Please see the response to Question 24.

### **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.**

Please see the response to Question 24.

### **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.**

Please see the response to Question 24.

**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.**

Please see the response to Question 24.

**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.**

Please see the response to Question 24.

**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 consider the proposals are consistent with the underlying principles for allowing the Overseas Issuers to present the financial statements prepared in accordance with accounting standards other than HKFRS and IFRS.

**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 with the intention of the proposal with certain reservations. While requiring such reconciliation statement could ease Hong Kong investors' unfamiliarity with this standard, the new requirement could impose undue burden on issuers, particularly for those corporations with global presence as the GAAP conversion exercise would require significant input and effort from all overseas components. This may keep certain issuers away from considering Hong Kong as a place of secondary listing and this move is not in sync with the Exchange's objective to attract overseas issuers and to promote Hong Kong as an international financial centre.

In the consultation paper on "Acceptance of International Accounting Standards and Generally Accepted Accounting Principles in the United States of America" released in October 2000, it was stated that "in view of the widespread familiarity of international investors with US GAAP and the continuing and steady globalisation of capital markets, greater acceptance by the Exchange of US GAAP would enhance the status and credibility of the Exchange and be beneficial for its long-term development as an international capital market". The reasoning given in the consultation paper still hold after two decades and the US remains as the largest stock market with the highest equity market capitalisation and liquidity, showing that there is no fading in international and Hong Kong investors' familiarity with US GAAP. The Exchange's proposed new requirement may add complexity to and impose burden on secondary listed issuers, which may adversely affect the competitiveness and attractiveness of Hong Kong capital market.

Save for the effort that the issuers need to spend on preparing the reconciliation statement, imposing this new requirement may create other considerations for US listed issuers. They would need to consider if the reconciliation statement included in the Hong Kong filings should also be included in the US regulatory filings. The inclusion of a reconciliation statement in the US regulatory filings may trigger the requirements under the US Sarbanes–Oxley Act ("SOX") on controls over financial reporting and hence require additional efforts on SOX compliance.

If the proposal was to proceed, we suggest the Exchange allow a longer grace period and provide guidance to issuer for preparing the relevant information.

**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.**

This PIE Engagement regime is relevant to Overseas Issuers and therefore codification in the Listing Rules can provide the Overseas Issuers with more clarity on the requirements applicable to them.

**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.**

Please see the response to Question 32.

**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.**

It is consistent with the current practice allowing an audit firm that is not qualified under the PAO to be the reporting accountants for acquisition of overseas company. It is suggested to explain in the note to Listing Rule 4.03 that FRCO does not permit Hong Kong issuers to appoint a Recognized PIE Auditor for a PIE Engagement and therefore the reporting accountants for their acquisition of overseas company must be an audit firm that is qualified under the PAO and a Registered PIE Auditor.

**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.**

Please see the response to Question 24.

**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.**

Please see the response to Question 32.

**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.**

Please see the response to Question 24.

**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.**

Please see the response to Question 24.

**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.**

Please see the response to Question 24.

**Comment**