

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

24 November 2017

Dear Sir

Re: Consultation Paper on Delisting and other Rule amendments

To strengthen and reinforce its long-term position as an international financial and commercial centre, Hong Kong Exchanges and Clearing Limited (HKEx) is obliged to maintain an orderly and fair market for the trading of listed securities.

While ACCA (the Association of Chartered Certified Accountants) appreciates and supports the intention to address the issue of prolonged suspension of trading in issuers' listed security, we note that the current Listing Rules focus on requiring the issuers to take steps to resume trading, rather than facilitating delisting. This takes into account that in the event of delisting minority shareholders might end up holding shares in an unlisted vehicle with no exit. When devising any rule change that deviates from the above principle, we are of the view that the interests of the issuers and the minority shareholders need to be taken into account.

The changes of delisting rules would be better accepted by the market after well-designed exit mechanisms are put in place to protect the interests of minority shareholders and to avoid them holding shares in unlisted vehicles with no exit after the issuer is delisted.

It is stated in the consultation paper that issuers that have questions about their resumption proposals can seek non-binding guidance from the HKEX, and that a guidance letter on the HKEX's expected standards for re-compliance with Main Board rule 13.24 would be issued. As the ability to resume trading would be critical to the suspended companies, it would be more appropriate and transparent if the expected standards are set out upfront in the consultation paper.

Should you wish to clarify any of the above issues, please do not hesitate to contact the undersigned at [REDACTED].

Yours faithfully,



Teresa Tso
Chairman
ACCA Hong Kong

Encl

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/eng/newsconsul/mktconsul/Documents/cp2017091.pdf>

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

1. Do you agree with our proposed MB Rule amendment to add a fixed period delisting criterion?

Yes

No

If your answer is "No", please explain why.

2. Do you think the appropriate period under the fixed period delisting criterion should be:

12 months

18 months

24 months

Other **24 to 36 months** (please state)

Please also explain why.

The issuers should be allowed sufficient time to rectify the issues. During this maximum of 36-month period, the issuers should set and agree milestones with the Exchange so that certain outcomes or deliverables to rectify the situation are clearly demonstrated.

3. Do you agree with our proposed MB Rule amendment to allow the Exchange to delist an issuer under any applicable delisting criteria in MB Rule 6.01 immediately, or publish a delisting notice and give the issuer a period of time to remedy the relevant issues to avoid delisting?

Yes

No

If your answer is "No", please explain why.

We support the proposal to allow the Exchange to delist an issuer under applicable delisting criteria in MB rule 6.01 after publication of a delisting notice which gives the issuer a period of time to remedy the relevant issues. It is considered not appropriate to delist an issuer immediately which may not be beneficial to minority shareholders. The wording of rule 6.01 in Appendix I to the consultation paper does not appear to reflect any proposed MB rule amendment set out in this question.

4. Do you agree with our proposal to remove Practice Note 17 and to delist issuers without sufficient operations or assets under either the fixed period criterion or the new delisting process for MB Rule 6.01?

Yes

No

If your answer is "No", please explain why.

5. Do you agree with our proposal to add a note to MB Rule 13.24 setting out the characteristics of issuers which are unable to comply with MB Rule 13.24?

Yes

No

If your answer is "No", please explain why.

However it may not be possible to specify all characteristics of issuers which are unable to comply with MB rule 13.24 in a note. We therefore propose that the Exchange should also publish relevant FAQs and detailed guidelines to provide guidance to the market and improve transparency of its decision.

6. Do you agree with our proposal to remove MB Rule 6.01(1)?

Yes

No

If your answer is "No", please explain why.

7. Do you agree with our proposal to clarify in MB Rule 2B.07(5) the applicable procedures for reviewing decisions to suspend or cancel a listing under MB Rule 6.01?

Yes

No

If your answer is "No", please explain why.

8. Do you agree with our proposed MB Rule amendment to require suspended issuers to announce quarterly updates?

Yes

No

If your answer is "No", please explain why.

9. Do you agree with the proposed transitional arrangements described in paragraph 52 of the consultation paper, and the proposed commencement dates of the fixed period under different situations?

Yes

No

If your answer is "No", please explain why.

We propose to simplify the process by treating all issuers in the same way as described in paragraph 52 (b) (i), i.e. the fixed period commences immediately from the Effective Date.

10. Do you agree with our proposed GEM Rule amendment to add a fixed period delisting criterion?

Yes

No

If your answer is "No", please explain why.

11. Do you think the appropriate period under the fixed period delisting criterion should be:

6 months

12 months

Other **24 to 36 months** (please state)

Please also explain why.

This proposal is consistent with the proposed changes in the MB rules.

12. Do you agree with the proposed transitional arrangement described in paragraph 59 of the consultation paper?

Yes

No

If your answer is "No", please explain why.

However, our proposed fixed period is 24 to 36 months and as such, this should also apply to the transitional arrangement, which is consistent with that under the MB rules.

13. Do you agree with our proposal to align the wording of GEM Rule 9.15 with MB Rule 6.10?

Yes

No

If your answer is "No", please explain why.

14. Do you agree with our proposal to remove GEM Rule 9.04(5)?

Yes

No

If your answer is "No", please explain why.

15. Do you agree with our proposal to clarify in GEM Rule 4.07(6) the applicable procedures for reviewing decisions to suspend or cancel a listing under Chapter 9 of the GEM Rules?

Yes

No

If your answer is "No", please explain why.

16. Do you agree with our proposed GEM Rule amendment to require suspended issuers to announce quarterly updates?

Yes

No

If your answer is "No", please explain why.

17. Do you agree with our proposal to remove MB Rule 14.37(1) / GEM Rule 19.37(1)?

Yes

No

If your answer is "No", please explain why.

MB rule 14.37(1) / GEM rule 19.37(1) should be maintained to inform and remind issuers of the consequence of non-publication of notifiable transactions.

18. Do you agree with our proposal to remove MB Rule 14.37(2) / GEM Rule 19.37(2)?

Yes

No

If your answer is "No", please explain why.

MB rule 14.37(2) / GEM rule 19.37(2) should be maintained to inform and remind issuers of the requirement to apply for trading halt or suspension pending announcement after entering into an agreement for a notifiable transaction.

19. Do you agree with our proposed MB / GEM Rule amendment to delegate authority to the Listing Department to direct resumption of trading and to provide for an accelerated review procedure?

Yes

No

If your answer is "No", please explain why.

Although the Exchange has an obligation to maintain an orderly and fair market for the trading of listed securities, it should first give the issuers opportunities of being heard by the Listing Committee to explain the situations and the reasons for suspension of trading. And we are of the view that the current practice is sufficient.

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