

Hong Kong Corporate and Regulatory Insights

July 2022



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Equity Capital Markets

The Stock Exchange of Hong Kong (SEHK) publishes revised e-forms and guidelines for new listing applicants

SEHK published the following revised e-forms and their corresponding revised form filling guidelines:

On the Main Board:

- SE001 – Sponsor and sponsor-overall coordinator engagement notification. See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.
- M103 – Listing application form (for equity securities and debt securities). See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.
- M201 – New listing particulars. See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.
- CIS002 – Form A2 – Listing application form (for collective investment scheme). See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.

On the GEM Board:

- G103 – listing application form (for equity securities of an issuer no part of whose share capital is already listed). See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.
- G201 – new listing particulars. See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.
- CIS002 – Form A2 – listing application form (for collective investment scheme). See [here](#) for the revised e-form and [here](#) for the revised form filling guideline.

- FF201G – Application form – equity securities (of an issuer part of whose share capital is already listed). See [here](#) for the revised e-form.

HKEx, 30 July 2022

SEHK publishes conclusions on proposed amendments to the Listing Rules relating to share schemes of listed issuers

SEHK publishes conclusions to its consultation on proposed amendments to the Listing Rules relating to share schemes of listed issuers. The SEHK will adopt the consultation proposals with modifications and amend the Listing Rules accordingly, which will come into effect on 1 January 2023. We highlight some of the key amendments to be made to the Listing Rules:

- Ch.17 will be extended to govern all share schemes involving grants of share awards as well as grants of options to acquire new shares of issuers.
- The definition of eligible participants of share schemes will be broadened to include employee participants, related entity participants and service providers.
- Shareholders' approval will be required for share grants to (i) an individual participant in excess of the 1 percent individual limit; or (ii) a connected person in excess of the de minimis threshold. All share grants to connected persons will require independent non-executive directors' approval.
- A minimum vesting period of 12 months will be required. Share grants to employee participants may have a shorter vesting period subject to specific circumstances as set out in the scheme document.

- Issuers will be required to disclose details of share grants by the issuer to the following participants to be made on an individual basis: (i) a connected person; (ii) a participant with share grants in excess of the 1 percent individual limit; (iii) a related entity participant or service provider with share grants in excess of 0.1 percent of the issuer's issued shares over any 12-month period.
- Issuers will be required to disclose in their annual reports (i) a summary of each share scheme and (ii) information relating to grants of existing shares during the year.
- Ch.17 of the Listing Rules will be applied to share schemes of a principal subsidiary. Share grants under share schemes of other subsidiaries will be subject to Ch.14 and/or 14A requirements.

Please click [here](#) to view the consultation conclusions and [here](#) to view the key proposed amendments to the Listing Rules.

HKEx, 29 July 2022

SEHK publishes new frequently asked questions (FAQs)

SEHK published the following new frequently asked questions:

- FAQ no. 083-2022 to FAQ no.101-2022 on frequently asked questions about the amendments to the Listing Rules relating to share schemes of listed issuers (effective on 1 January 2023)

Please click [here](#) to view the FAQs.

HKEx, 29 July 2022

SEHK takes disciplinary action against Enterprise Development Holdings Limited (stock code: 1808) (the Company) and its former executive director

Key messages:

- Listed issuers must properly consider the appointment of a director in accordance with both the Corporate Governance Code and the terms of reference applicable to its nomination and remuneration committees.
- The issuer is expected to conduct due diligent to ensure that proposed directors have the requisite character, experience, integrity and competence. The remuneration committee should determine the remuneration based on what is fair and reasonable in the circumstances.
- Members of the nomination and remuneration committees need to ensure that their recommendations are made in the best interests of the listed issuer and its shareholders.

SEHK censures:

- The Company.
- Ms. Mao Jun Jie, former executive director (ED) of the Company (Ms. Mao).

In 2021, the Company announced its appointment of Ms. Mao as an ED, and that she was entitled to remuneration of US\$300,000 per month, citing her extensive financial experience. However, Ms. Mao had provided the Company with inaccurate, incorrect and/or misleading information regarding her experience. Significant parts of the biographical details of Ms. Mao were

found to be unsubstantial and misleading. The Company had not conducted due diligence on the information provided by Ms. Mao, and neither her appointment nor her remuneration had been properly considered by the nomination committee and remuneration committee per their terms of reference.

SEHK found that the Company had breached Rule 2.13(2) by publishing, inaccurate, incomplete and/or misleading information regarding Ms. Mao in the announcement of her appointment as an ED, and in a subsequent notice of annual general meeting.

SEHK found that Ms. Mao had breached Rule 3.08 and her director's undertakings by (i) providing inaccurate, incorrect and/or misleading information to the Company regarding her biographical details, and (ii) failing to take steps to procure the Company's compliance with Rule 2.13(2) with respect to the mentioned announcement and notice.

The Company and Ms. Mao have agreed to settle this disciplinary action. They accepted their respective breaches and the sanctions imposed on them by SEHK. The Company agreed to publish an announcement in relation to, among other things, the failure by the other board of directors at the relevant time such as not ensuring that due diligence was conducted on Ms. Mao.

SEHK further states that the retention of office of Ms. Mao on the board of the Company would have been prejudicial to the interests of investors.

Please click [here](#) to view the statement of disciplinary action.

HKEx, 18 July 2022

SEHK takes disciplinary action against six former directors of China Creative Global Holdings Limited (stock code: 1678) (the Company)

Key messages:

- Directors who fail to comply with their obligation to cooperate with the SEHK's enquiries and investigations are not suitable to be directors or members of senior management of a listed issuer.
- Directors' obligation to provide information reasonably requested by SEHK did not lapse after they ceased to be a director of a listed issuer.

SEHK imposes a director unsuitability statement against the following directors (Directors):

- Mr. Chen Fang Lin, former executive director (ED) and chairman of the Company (Mr. Chen).
- Mr. Shen Jian Zhong, former ED of the Company (Mr. Shen).
- Mr. Zheng He Bin, former ED of the Company (Mr. Zheng).
- Ms. Hui Sai Ha, former ED of the Company (Ms. Hui).
- Mr. Huang Song Qing, former independent non-executive director (INED) of the Company (Mr. Huang).
- Mr. Dai Jian Ping, former INED of the Company (Mr. Dai).

Between 2020 and 2021, the Listing Division (Division) made enquiries with the Company in relation to the circumstances surrounding

the delay in publication of the financial statements, the winding up of its major subsidiary and the disposal of its People's Republic of China (PRC) subsidiaries. Ms. Hui acknowledged receipt of the Division's reminder letter, but still failed to respond to the enquiries. The other Directors did not respond to the enquires and further did not notify the SEHK of any changes to their contact details.

SEHK found that the Directors were in breach of their director's undertakings for failing to cooperate with the Division in its investigation, constituting a breach of the Listing Rules. The Directors' obligation to provide information reasonably requested by the SEHK did not lapse after they ceased to be a director of the Company.

SEHK states that each of the Directors is unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

Please click [here](#) to view the statement of disciplinary action.

HKEx, 14 July 2022

SEHK appoints Listing Review Committee Members and Listing Committee Members

SEHK appointed members to the Listing Review Committee and the Listing Committee of both the Main Board and GEM Board.

The Listing Rules provide that all members of the Listing Review Committee and the Listing Committee are to vacate office annually. The Listing Nominating Committee shall nominate individuals for appointment re-appointment to these two committees and the board of SEHK shall make the appointments on the

recommendation of the Listing Nominating Committee.

Please click [here](#) to view the list of members of the Listing Review Committee and [here](#) to view the list of members of the Listing Committee.

HKEx, 8 July 2022

Financial Services Regulation

Circular on sound practices for payment operations of authorized institutions

The Hong Kong Monetary Authority (HKMA) issued a circular to all authorized institutions to highlight sound practices for payment operations, with which the authorized institutions should review against their existing practices and make improvements where necessary.

The sound practices include:

- Prevention of payment-related operational incidents.
- Close monitoring of payment operations.
- Robust business continuity planning.
- Timely deployment of contingency arrangements.
- Periodic testing.
- Incident reporting and communication with stakeholders.

Please click [here](#) to view the circular.

HKMA, 28 July 2022

Revised Supervisory Policy Manual (SPM) module on operational risk management

The HKMA published a revised SPM module OR-1 on operational risk management of authorized institutions.

The revised OR-1 incorporates and implements the Revised Principles for Sound Management of Operational Risk that was issued by the Basel Committee on Banking Supervision in March 2021. The updates include: clarification on the existing

principles; updates in the areas of change management, information and communication technology management; and specific guidance related to operational resilience.

All authorized institutions must implement the revised OR-1 no later than 25 January 2024, except as otherwise specified under the SPM module.

Please click [here](#) to view the SPM module.

HKMA, 25 July 2022

Circular on updates to the Over-the-counter Securities Transactions Reporting Regime

The Securities and Futures Commission (SFC) had proposed to introduce an over-the-counter securities transaction regime (OTCR) for shares that are listed on the Stock Exchange of Hong Kong. The OTCR is expected to be launched in the later part of the second quarter of 2023 at the earliest, subject to market testing.

The SFC had published an updated version of the OTCR Technical Information Paper (OTCR Paper) and a new OTCR Reporting File Template and Submission Process Flow (OTCR Flow). The updated OTCR Paper includes updates on some technical specifications on the preparation and submission of information in relation to share transfers, and deposits and withdrawals of physical share certificates under the OTCR. The new OTCR Flow, on the other hand, was prepared to facilitate the preparation of submission files under the OTCR and to illustrate the technical process flow of file submission.

Please click [here](#) and [here](#) to view the OTCR Paper and the OTCR Flow respectively.

SFC, 22 July 2022

Code of Practice chapter LFIR-1

The HKMA issued a new chapter of the code of practice under the Financial Institutions (Resolution) Ordinance (Cap. 628), namely the LFIR-1 "Resolution Planning – Liquidity and Funding in Resolution".

The LFIR-1 includes the capabilities and arrangements that an authorized institution should have in place as to address any potential barriers posed to orderly resolution, in particular the barriers that would arise if an authorized institution fails to assess its liquidity, funding needs and access funding in resolution.

Please click [here](#) to view the Code of Practice.

HKMA, 22 July 2022

Circular on payment arrangements for property transactions

The HKMA issued a circular to all authorized institutions to express its support and endorsement for the new arrangements of an alternative means of payments of funds in respect of mortgage refinancing transactions under the Payment Arrangements for Property Transactions (PAPT), which was announced by the Hong Kong Association of Banks on the same day.

Under the PAPT, the Refinancing Mortgage Institution will transfer mortgage loan proceeds of a customer directly to the Original Mortgage Institution via the interbank payment system, instead of adhering to the current practice of routing

payments through client accounts of the relevant law firms.

All licensed banks offering mortgage loans for residential properties in Hong Kong should:

- Take immediate steps to prepare and provide customers seeking mortgage refinancing with the option of direct funds transfer under the PAPT as soon as practicable, latest by the end of this year.
- Familiarize themselves with operational details of the PAPT.
- Arrange necessary changes to internal processes and systems.
- Engage with their respective solicitor firms.
- Provide staff training and conduct testing.
- Put in place customer communication plans.
- Set a target adoption rate with regard to the usage of the PAPT during the first six month period, and to assess the usage subsequently.

Please click [here](#) to view the circular.

HKMA, 20 July 2022

Seventh issue of the Regtech Adoption Practice Guide

The HKMA had published the seventh issue of the Regtech Adoption Practice Guide (Regtech Guide) as a part of a series of newsletters that include common issues and guidance in relation to Regtech adoption barriers.

This issue focuses on Third-Party Monitoring and Risk Management (TRPM) and its related Regtech solutions. The Regtech Guide includes the following:

- Key barriers and risks – The Regtech Guide explains how Regtech solutions can be used to support TRPM whilst illustrating the key barriers, risks and benefits involved in leveraging Regtech solutions.
- Practical implementation guidance – Key components of Regtech solutions implementation were outlined.
- Use cases illustration – Key learnings from successful Regtech implementation from both the banks' and the Regtech providers' perspectives were highlighted. Challenges and corresponding Regtech solutions were also included for reference.

Please click [here](#) to view the Regtech Guide.

HKMA, 18 July 2022

Circular on the extension of End-to-End (E2E) test for the Hong Kong Investor Identification Regime

The SFC had proposed to implement an investor identification regime at trading level for the securities market in Hong Kong (HKIDR). Relevant licensed corporations and registered institutions (Relevant Regulated Intermediaries) will be subject to the HKIDR upon its implementation, which is tentatively set to commence in the later part of the fourth quarter in 2022.

In response to the requests of some Relevant Regulated Intermediaries, the E2E test

relating to the HKIDR was extended to include the period from 19 July 2022 to 5 August 2022, with both dates inclusive. Relevant Regulated Intermediaries who have yet to complete the E2E test were reminded to do so as soon as possible.

Please click [here](#) to view the circular.

SFC, 13 July 2022

Revised return of capital adequacy ratio (CAR Return)

The CAR Return, along with the accompanying Completion Instructions, have been revised by the HKMA. The revisions were made to cater for authorized institutions' reporting of equity investments in funds in accordance with the requirements introduced by the Banking (Capital) (Amendment) Rules 2022 that came into effect on 1 July 2022.

The reporting institutions should submit the CAR Return along with the revised Completion Instructions to the HKMA starting from the reporting position as of 30 September 2022.

Please click [here](#) and [here](#) to view the revised CAR Return and the Completion Instructions respectively.

HKMA, 11 July 2022

Circular on the publication of the latest money laundering and terrorist-financing risk assessment report (AML report)

The Government had published the latest AML report on 8 July 2022, which highlighted the various threats and vulnerabilities across different sectors in Hong Kong.

The SFC published a circular to all licensed corporations and their associated entities to remind them to regularly identify and assess money laundering and terrorist-financing risks whilst having regard to the threats and vulnerabilities outlined in the AML report.

Please click [here](#) and [here](#) to view the circular and the AML report respectively.

SFC, 8 July 2022

SPM module on the sharing and use of consumer credit data through credit reference agencies

The HKMA published a revised SPM module IC-6 on "The Sharing and Use of Consumer Credit Data through Credit Reference Agencies".

The HKMA had set out its expectations for authorized institutions that are involved in the provision of consumer credit under the SPM module. The sharing and use of consumer credit data through credit reference agencies via the Credit Reference Platform (CRP) should be done as fully as possible. The CRP is expected to be launched by the end of 2022.

Please click [here](#) to view the SPM module.

HKMA, 8 July 2022

Circular on anti-money laundering and counter-financing of terrorism

The SFC published a circular to all licensed corporations and their associated entities to alert them on 1) the statement issued by the Financial Action Task Force (FATF) regarding high-risk jurisdictions; 2) the statement issued by the FATF regarding jurisdictions under increased level of monitoring; and 3) the outcomes of the FATF's most recent plenary.

Please click [here](#) to view the circular.

SFC, 5 July 2022

Joint announcement of the People's Bank of China, the SFC and the HKMA

The SFC, HKMA and the People's Bank of China jointly announced that the Shanghai Clearing House, the China Foreign Exchange Trade System (National Interbank Funding Center) and the OTC Clearing Hong Kong Limited are working to develop "Swap Connect", which is a new mutual market access programme.

Swap Connect would allow offshore investors to execute interest rate derivatives transactions with onshore investors in Mainland China, which would be an effective way for the offshore investors to manage interest rate risks arising from investments in the Mainland bond market.

The northbound link will be introduced first, whilst the southbound link will be explored in due course. The official launch of the Swap Connect will commence six months after the date of this press release.

Please click [here](#) to view the press release.

HKMA / SFC, 4 July 2022

Data Protection

PCPD made an arrest case for a suspected doxxing offence

On 26 July 2022, the PCPD arrested a Chinese male for disclosing personal data of a data subject without her consent, in contravention of section 64(3A) of the PDPO.

The arrested person and the data subject had a business relationship which later broke down because of a money dispute. In December 2021, the personal data of the data subject and her husband, including Chinese names, phone number and photos, were disclosed in 14 groups on a social media platform and contained allegations about fraudulent behavior.

This is the fifth arrest made by the PCPD in relation to doxing offences.

Pursuant to sections 64(3A) and 64(3C) of the PDPO, a person commits an offence if the person discloses any personal data of a data subject without the relevant consent of the data subject with an intent to cause, or being reckless as to whether it would cause, or the disclosure caused, any specified harm to the data subject or any family member of the data subject.

Specified harm means (a) harassment, molestation, pestering, threat or intimidation to the person; (b) bodily harm or psychological harm to the person; (c) harm causing the person reasonably to be concerned for the person's safety or well-being; or (d) damage to the property of the person.

An offender who commits an offence under sections 64(3A) and 64(3C) is liable on conviction to a fine up to US\$100,000 and US\$1,000,000 respectively as well as imprisonment for two years and five years respectively.

Click [here](#) to read the media statement.

PCPD, 26 July 2022

Hong Kong and Singapore authorities renew Memorandum of Understanding (MOU)

On 13 July 2022, the PCPD and Singapore's Personal Data Protection Commission (PDPC) renewed their MOU to maintain their existing ties and foster closer collaboration in personal data protection.

Hong Kong's PCPD and Singapore's PDPC are active members of international organizations such as the APPA and the Global Privacy Enforcement Network. The first MOU was signed in May 2019 to establish bilateral platforms for the advancement of personal data protection. The renewal of the MOU demonstrates the two authorities' commitments to enhancing data protection in new areas such as artificial intelligence and cross border data flow.

In today's digital economy, there is an increase in globalized data generation and cross-border data flow. The scope of the renewed MOU covers the authorities' information exchange and sharing of best practices, including data protection policies and enforcement actions, coordination and provision of mutual assistance in joint investigations into cross-border personal data incidents, and collaboration in education and training.

Click [here](#) to read the media statement.

PCPD, 13 July 2022

PCPD hosts the 57th Asia Pacific Privacy Authorities Forum

The Office of the Privacy Commissioner (PCPD) hosted the 57th Asia Pacific Privacy Authorities (APPA) Forum virtually from 12 to 13 July 2022. Over 110 representatives from different data protection authorities across the Asia Pacific region attended the APPA Forum to discuss various global privacy issues, share regulatory and enforcement experiences, and promote best practices in the privacy landscape.

APPA is a principal forum for privacy and data protection authorities in the Asia Pacific region to strengthen cooperation, discuss best practices, and share information on privacy regulation, new technologies and handling of privacy-related enquiries and complaints.

The theme of the 57th APPA Forum is "Privacy Protection in Digital Era". The PCPD gave an update on its enforcement actions on doxxing and shared the recent findings in the report on "Comparison of Privacy Settings of Social Media", which reviewed the privacy functions of the top ten most commonly used social media platforms in Hong Kong.

The Privacy Commissioner also led a panel discussion on "Privacy Issues Arising from Emerging Technologies and the Regulatory Roadmaps". Privacy commissioners or senior representatives from Australia, Canada, Japan and the United Kingdom joined as panelists.

Other major topics of the APPA Forum include enforcement and legislative development, guidance and outreach, and cross-border data flows.

Click [here](#) to read the media statement.

PCPD, 12 July 2022

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