

Hong Kong Corporate Insights

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Equity Capital Markets

First Listing of Iron Ore Futures ETF

The Stock Exchange of Hong Kong Limited ("SEHK") welcomed its first iron ore futures Exchange Traded Fund ("ETF") – SSIF DCE Iron Ore Futures Index ETF (stock code: 3047 / 9047) to trading on 27 March 2020.

The new iron ore futures ETF will track the performance of iron ore by investing directly in iron ore futures contracts. The newly listed ETF is the first ETF launched by Shanxi Securities International Financial Holdings Limited ("SSIF") in Hong Kong, and will offer investors more choice in capturing opportunities in the commodities space at a relatively low cost and enabling them to optimise their asset allocation and diversify their investment risk.

Click [here](#) for the news article.

(HKEx, 27 March 2020)

Stock Connect Enhanced with Planned Launch of Master SPSA Service for Fund Managers

On 18 March 2020, the SEHK announced the latest enhancement in Stock Connect, its landmark mutual market access programme with the Mainland exchanges. A new Master Special Segregated Account ("SPSA") service for fund managers will be launched in the first half of 2020, subject to approval from the Securities and Futures Commission ("SFC") and market readiness.

Under Stock Connect, China A shares must be available for pre-trade checking before they can be sold. The original SPSA service launched in 2015 was for institutional investors to satisfy this requirement, removing the need to transfer shares they control to executing brokers prior to a sale. The new optional Master SPSA service enhances the original SPSA service by allowing pre-trade checking to be conducted at a fund manager, or aggregate level, helping to increase

their operational efficiencies while maintaining the same post-trade settlement processes at the individual SPSA level for consistency.

Click [here](#) for the news article.

(HKEx, 18 March 2020)

Further Guidance issued on the Joint Statement in relation to Results Announcements in light of the COVID-19 Pandemic

On 16 March 2020, the SEHK and the SFC issued further guidance to listed issuers with 31 December financial year ends on the publication of their preliminary results and annual reports, should such issuers be affected by the COVID-19 pandemic in relation to their ability to meet the reporting deadlines as set out under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The SEHK and the SFC had issued a Joint Statement on 4 February 2020 and a set of frequently asked questions ("FAQs") on 28 February 2020 to provide guidance on the publication of preliminary results announcements due on 31 March 2020. As some listed issuers had sought further clarification on various aspects of the Joint Statement and the FAQs, in particular what would suffice as material financial information necessary to enable trading in the issuer's securities to continue ("**Material Financial Information**"), the SEHK and the SFC noted in their further guidance that the issuer should publish Material Financial Information which includes:

- Key financial figures such as assets, liabilities, income and expenses, and changes in shareholders' equity; and
- Narrative discussions of its financial position and performance during the year to supplement the financial figures provided,

including the impact of any material events and any material transactions that have taken place.

In any event, listed issuers are encouraged to consult with the SEHK to discuss their individual circumstances.

Click [here](#) for the news article.

(HKEx, 16 March 2020)

Latest Listing Committee Report

The SEHK published its Listing Committee Report for 2019 on 16 March 2020, reviewing the Listing Committee's work during the year and providing an overview of its policy agenda for 2020 and beyond. The SEHK had reformed the Listing Rules in 2018 and reported that a total of 10 companies were listed under the new listing chapters, accounting for 37 per cent of the total amount of funds raised during the year. This included nine new biotech companies listed under Chapter 18A of the Listing Rules, as well as Alibaba Group Holding Limited, the first secondary listing under Chapter 19C of the Listing Rules and Hong Kong's biggest listing in 2019.

For this year, the SEHK will engage the market on a variety of issues, including reviewing the regime for the share schemes of listed issuers, and consulting the market on a review of the SEHK's disciplinary powers. It will also consider requiring online display of documents to widen public access to issuers' information, to help enhance transparency and facilitate investors to make investment decisions.

Click [here](#) for the full report.

(HKEx, 16 March 2020)

Launch of E-training and Publication of Guidance Materials on ESG Reporting

On 6 March 2020, the SEHK has published updated guidance materials on environmental, social and governance ("ESG") reporting to

help issuers better navigate the evolving standards on ESG reporting. The materials include the launch of an e-training course titled "Exchange's New ESG Requirements"; the publication of a new guide for board and directors titled "Leadership role and accountability in ESG"; an update of the SEHK's step-by-step guide to ESG reporting "How to Prepare an ESG Report"; and the addition of new Series 18 to the Frequently Asked Questions of the Listing Rules to clarify the new ESG requirements under the Listing Rules.

The launch of these materials reflects the SEHK's commitment to enhance ESG reporting, and is part of their ongoing efforts in providing training, guidance and resources to assist issuers in the area.

Click [here](#) for the news article.

(HKEx, 06 March 2020)

Introduction of New Stock Option Classes

On 4 March 2020, the SEHK announced the launch of five new stock option classes to be introduced on 23 March 2020. The underlying stock names are: WH Group Ltd (288); Techtronic Industrial Co Ltd (669); Sino Biopharmaceutical Ltd (1177); ANTA Sports Products Ltd (2020); and Shenzhen International Group Holdings Ltd (2313).

Click [here](#) for the news article.

(HKEx, 04 March 2020)

Guidance Materials Updated and Streamlined

On 28 February 2020, the SEHK updated and streamlined its Guidance Materials, which are published from time to time to provide the market with guidance and clarity on the application of certain Listing Rules and practices.

The most recent updates include updates to three Guidance Letters and eight sets of frequently asked questions, and the withdrawal of 15 Guidance Materials. The exercise is part of the SEHK's continuous efforts to streamline its guidance and related materials, and the first three sets of updates were published in July 2018, March and April 2019.

In particular, HKEXGL89-16 (Guidance on issues related to “controlling shareholder”); HKEX-GL52-13 (Guidance for mineral companies); and HKEX-GL36-12 (Guidance on due diligence and disclosure in the listing document relating to a distributorship business model), as well as FAQ Series 1, 5, 8, 20, 24, 26, 31; and FAQ No.008-2017 to 022-2017 and 023-2018 have been updated.

Click [here](#) for the news article. For the amendments to the Guidance Materials, click [here](#).

(HKEx, 28 February 2020)



Financial Services Regulation

Privacy Commissioner issues media statement on the collection of employees' personal health data in times of COVID-19

The Privacy Commissioner for Personal Data ("PCPD") recognised the ongoing COVID-19 pandemic posed challenges for employers and that data protection law should not be seen as hindering the effort in combatting the pandemic. The collection and processing of employees' personal data should be specifically related to and used for the purposes in relation to public health and should be limited in both duration and scope as required in the particular situation. It must be necessary, appropriate and proportionate to the purpose to be achieved.

The media statement covers topics such as taking employees' body temperature, travel history, disclosure of health data to government for the purposes relating to public health, etc.

Click [here](#) for the full media statement.

(PCPD, 30 March 2020)

SFC issues guidance to fund industry amidst COVID-19 outbreak

In view of the volatility in local and international markets, the SFC reminded fund industry participants and intermediaries of their obligations to look after the interests of clients.

In a circular to managers, trustees and custodians of SFC-authorized funds, the SFC reiterated their obligations to properly manage the liquidity of funds and ensure fair treatment of investors in light of the current market situation.

A separate circular reminded intermediaries of their obligation to ensure suitability when they make a solicitation or recommendation. This includes performing due diligence having regard to an investment product's liquidity and

credit quality as well as taking the client's current circumstances into account.

Click [here](#) for the news release.

(SFC, 27 March 2020)

Consultation on annual update to the list of Financial Services Providers under the OTC derivatives regulatory regime

The Hong Kong Monetary Authority ("HKMA") and the SFC issued a joint consultation on the annual update to the list of Financial Services Providers under the over-the-counter derivatives clearing regime. Eight additional entities are proposed to be included on the list.

Interested parties are invited to submit comments to the HKMA or the SFC by 28 April 2020.

Click [here](#) for the new release and [here](#) for the joint consultation paper.

(SFC and HKMA; 27 March 2020)

Insurance Authority extends the validity and coverage of temporary facilitative measures

In view of the latest developments of the COVID-19 pandemic, the Insurance Authority ("IA") announced the widening of the types of life insurance products that can be distributed through non-face-to-face methods with immediate effect until 30 June 2020.

On top of Qualifying Deferred Annuity Policy and Voluntary Health Insurance Scheme products covered in the first phase of the temporary facilitative measures, the second phase now also covers additional protection type products, including term policies, and certain refundable or renewable policies that provide insurance protection (such as hospital cash, medical, critical illness, personal accident, disability or long-term care cover).

Measures have been put into place to ensure that the interests of policy holders and potential policy holders are not adversely affected, including mandatory upfront disclosure at the point-of-sale and an extended cooling-off period of no less than 30 calendar days.

Click [here](#) for the press release.

(IA, 27 March 2020)

Market Misconduct Tribunal finds Magic Holdings International Limited and its directors culpable of late disclosure of inside information

The Market Misconduct Tribunal ("MMT") found Magic Holdings International Limited and five of its directors culpable of the company's failure to disclose, as soon as reasonably practicable, inside information on L'Oréal S.A. ("L'Oréal")'s proposed acquisition of Magic, as required under the Securities and Futures Ordinance.

The MMT considered that there was a commercial reality to their negotiations back in April 2013, which had gone beyond "testing the waters".

Click [here](#) for the news release.

(SFC, 25 March 2020)

Notice for Appointed Actuaries: Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E), Rule 8(7)(a)

In light of the volatile financial market, the Actuarial Society of Hong Kong ("ASHK") proposed to the IA with regards Rule 8(7)(a) of the Insurance (Determination of Long Term Liabilities) Rules (Cap. 41E) that a long term authorized insurer may use a Proposed Formula for the valuation of the yield assumed on investments to be made more than 3 years after

the valuation date, in determining its liabilities for solvency purposes.

The IA considered that the adoption of the Proposed Formula would not be contrary to the interests of policyholders or potential policy holders. Authorized insurers that wish to use the Proposed Formula shall submit their request in writing to the IA.

Click [here](#) for the industry news & press release.

(ASHK, 23 March 2020)

SFC bans Mo Shau Wah for life

The SFC banned Mo Shau Wah, a former account executive of China Pacific Securities Limited ("**China Pacific**"), from re-entering the industry for life following her criminal conviction.

In December 2018, the Court of First Instance found Mo guilty of stealing approximately \$110.2 million worth of shares from China Pacific's clients between January 2005 and October 2012. Mo also made unauthorised sales of the stolen shares in the open market through nominee client accounts held at China Pacific in the names of her relatives. The sale proceeds were subsequently paid into the relatives' bank accounts controlled by Mo.

Click [here](#) for the news release.

(SFC, 23 March 2020)

Introduction of the amendment bills to strengthen Hong Kong's position as a global risk management centre and regional insurance hub

The Financial Services and the Treasury Bureau introduced two amendment bills with regards Insurance Linked Securities ("ILS") and Group-wide Supervision ("**GWS**") into the Legislative Council ("**LegCo**").

The two bills seek to amend the Insurance Ordinance (Cap. 41) with two major purposes –

first, to provide for a streamlined regulatory framework for the issuance of ILS, an alternative risk-management tools for transferring insurance risk to the capital markets, through the formation of special purpose insurers; and second, to consolidate the legal basis for the IA to exercise direct regulatory powers over the holding companies of multinational insurance groups.

Click [here](#) for the press release from IA and [here](#) for media release from Hong Kong Federation of Insurers ("HKFI").

(IA and HKFI, 20 March 2020)

SFC bans Chan Tan Lo for 14 months

The SFC banned Chan Tan Lo, a former relationship manager of BOCI Securities Limited ("BOCIS"), for 14 months from 19 March 2020 to 18 May 2021.

An SFC investigation found that when Chan executed nine bond transactions for two clients in March 2016, she failed to disclose and/or provided them with inaccurate information about the final execution prices and/or the actual commission rates she charged them. She also overcharged them in these transactions.

The SFC considers that Chan's conduct was dishonest and calls into question her fitness and properness to be a licensed person.

Click [here](#) for the full news article.

(SFC, 19 March 2020)

HKMA Announces Countercyclical Capital Buffer ("CCyB") for Hong Kong

The HKMA announced on 16 March 2020, that the CCyB for Hong Kong is reduced from 2.0% to 1.0% with immediate effect. This is expected to allow banks to be more supportive to the domestic economy.

CCyB is part of the Basel III regulatory capital framework. Essentially, it is a mechanism to

build up additional capital during periods of excessive credit growth when risks of system-wide stress are observed to be growing markedly. This capital can then be "released" when the credit cycle turns to absorb losses and enable the banking system to continue lending in the subsequent downturn.

Click [here](#) for the press release.

(HKMA, 16 March 2020)

Privacy Commissioner Responds to Media Enquiries about Cathay Pacific Being Fined £500,000 by UK Information Commissioner's Office

The PCPD refused to comment on Cathay Pacific being imposed a maximum financial penalty of £500,000 by the Information Commissioner's Office of the United Kingdom. The PCPD would follow up on the remedial and corrective measures taken by Cathay Pacific according to the instructions stated in the enforcement notice issued back in 2019 with respect to a data breach incident.

In addition, the PCPD has submitted proposals to the Government of Hong Kong on legislative amendments. The proposals include:

- Empower the Privacy Commissioner to impose administrative fines as an enhanced measure against violation of the Data Protection Principles; and
- Raise the existing level of relevant fines under the Personal Data (Privacy) Ordinance to enhance deterrent effect.

Click [here](#) for the media statement.

(PCPD, 6 March 2020)

Financial Reporting Implications of Coronavirus

The Hong Kong Institute of Certified Accountants' ("HKICPA") Financial Reporting Standards Committee has published an alert

containing guidance on how to apply financial reporting standards for entities affected by the COVID-19 outbreak. The alert sets out the following key points:

- Events resulting from the development and spread of COVID-19 after 31 December 2019 should generally be accounted for as non-adjusting events for the purpose of Hong Kong Accounting Standard 10 (“**HKAS 10**”);
- It is difficult to estimate the financial effect attributable to COVID-19. If an estimate of the financial effect cannot be made for disclosure purposes, HKAS 10 requires a statement that such an estimate cannot be made; and
- In general, financial statements should be prepared on a going concern basis unless management determines it intends to liquidate the entity or to cease trading, or that it has no realistic alternative not to do so.

Click [here](#) for the alert.

(HKICPA, 5 March 2020)

Commencement Date of Clients Account Reconciliation

Section 6(11) of the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules (“**Broker Rules**”) provides that a licensed insurance broker company which has clients account(s) to hold or receive client monies must at least perform a reconciliation on its client accounts once a calendar month.

The IA clarified that the first calendar month after the transitional period (during which reconciliation requirement does not apply) is March 2020. As a result, members who are specified insurance broker companies are reminded to perform the first reconciliation in March 2020.

Click [here](#) for the memorandum.

(PIBA, 28 February 2020)



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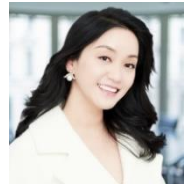
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