

Balancing Market Innovation and Investor Protection



— An Interview with

Mr Calvin Chiu

Deputy Chief Executive Officer of
China Tonghai Securities Limited*



平衡市場創新 與投資者保障

— 專訪中國通海證券有限公司*

副行政總裁 **趙進傑**先生

Mr Calvin Chiu Chun-Kit is the Deputy Chief Executive Officer of China Tonghai Securities Limited, an indirect wholly owned subsidiary of China Tonghai International Financial Limited (00952). He is a responsible officer (RO) for Types 1, 2, 4 and 9 regulated activities under the Securities and Futures Ordinance for China Tonghai Securities Limited. Without compromising on investor protection and market stability, Mr. Chiu says he is pleased to see the immediate and positive impact of the market reform introduced by Hong Kong Exchanges and Clearing Limited (HKEX). China Tonghai Securities Limited is an indirect wholly owned subsidiary of China Tonghai Financial Group and operates as a brokerage firm, providing securities trading and fund management services to clients worldwide.

“Since 2018, HKEX has committed itself to reforming the listing regime in efforts to attract more flotations,” he says. These efforts have produced fruitful results. According to HKEX’s annual report, the value of IPO funds raised in 2020 was the second highest in the world, reaching HK\$400.2 billion. There were 154 newly listed companies during the year. The funds raised were 27% higher than in 2019 and the highest amount of capital raised in a single year since 2010. About 64% of the IPO capital was raised by 50 new-economy companies, including 22 companies with weighted voting rights (WVR) structures, which under the new listing system, applies to biotech companies and/or secondary listed companies.

Optimising the Listing Regime While Strengthening Investor Protection

HKEX has recently sought public feedback on its proposals to enhance and streamline the listing regime for overseas issuers. The proposals include: a single set of shareholder protection standards to ensure consistent protection is provided to all investors; expanding the secondary listing regime for overseas-listed Greater China companies from traditional sectors without WVRs; and providing greater flexibility for issuers seeking dual-primary listings whilst maintaining their existing WVR structures and variable interest entity structures.

“We are pleased to see that the reform efforts continue by streamlining the listing process to attract listings by foreign companies,” Mr Chiu says. While the regulators continue to innovate the fundraising space, they are equally focused on protecting the interests of investors, which is highly appreciated. For investors, the ability to invest in high-quality stocks listed overseas in the same market allows for more flexible portfolios and risk diversification. Having said that, regulators should also make the most of Hong Kong’s free and open financial system to attract more companies from different industries and backgrounds to list in Hong Kong. This would help to strengthen Hong Kong’s leading edge in the Asian time zone. “We suggest that more new ways of raising capital and product categories should be considered,” say Mr Chiu.

趙進傑先生現為中國通海國際金融有限公司 (00952) 間接全資附屬之中國通海證券有限公司副行政總裁，並為中國通海證券有限公司第1類、第2類、第4類及第9類受證券及期貨條例規管業務之負責人。他樂見近年香港交易及結算所有限公司（港交所）積極推行改革，效果立竿見影。同時，港交所依然沒有放鬆對上市集資活動的監控和規管，加強了保障投資者及維持市場穩定性的政策。中國通海證券有限公司是中國通海金融集團之間接全資附屬公司，主要業務為證券交易、基金管理等，服務全球客戶。

自2018年以來，港交所銳意進行了一輪上市規則改革，迎來了豐碩成果。據港交所年報顯示，全球交易所2020年首次公開招股集資額當中，港交所排名全球第二，達4,002億港元，為2010年以來香港最高紀錄。2020全年香港新上市公司達154家，集資額較2019年增加27%，是2010年以來最高的單一年度集資額。其中64%來自50家新經濟公司，當中22家是根據新上市制度上市，包括不同投票權架構公司、生物科技公司及/或第二上市公司。

優化上市機制 同時加強投資者保障

最近，港交所就優化海外發行人上市制度的改革諮詢市場意見，幾項建議包括：統一股東保障標準；擴闊第二上市制度，容許經營傳統行業而沒有採用不同投票權架構的海外上市大中華公司，回流香港申請上市；以及給予雙重主要上市的發行人更大靈活性，可沿用既有的不同投票權架構及可變利益實體架構。

趙進傑先生表示：「我們樂見港交所繼續進行改革，簡化上市程序，吸引更多企業來港上市。更重要的是，監管機構在面對融資市場不斷創新的同時，仍堅持保障投資者利益為前提。對投資者而言，在同一市場就能投資到海外上市的優質企業，可以使他們的投資組合更加靈活和易於分散風險。但與此同時，監管機構亦應善用香港自由的金融制度，吸引不同行業和地區背景的公司來港上市，鞏固香港市場在亞洲時區的優勢。因此，我們認為香港市場可以積極考慮納入更多的融資方式和產品種類。」



In addition, Mr Chiu is pleased to see regulators sparing no effort to improve market efficiency and investor protection with the future launch of the Fast Interface for New Issuance (FINI), an IPO settlement process platform, as well as the Volatility Control Mechanism (VCM), commonly referred to as the “cooling off period”. “Nowadays, market information can be spread wide and fast. We believe that the introduction of the VCM will help improve market stability and reduce market shocks caused by breaking news or sudden changes of market sentiment,” Mr Chiu notes. The VCM allows more time for the market to understand the situation, so that investors will quickly and calmly return to rational behaviour. “The mechanism helps to level the playing field among different types of investors,” he explains.

Leveraging Hong Kong’s unique advantages – such as free flow of capital, rule of law and a favourable time zone – trading was still very active last year despite the COVID-19 pandemic. The real economy, however, was hit hard. Public spending increased dramatically as a consequence of the huge anti-epidemic and relief measures. With this in mind, and under considerable fiscal pressure, Mr Chiu believes it is understandable the government chose to raise the stamp duty on stock transfers from 0.1% to 0.13%. The financial secretary announced the stamp duty increase as part of Hong Kong’s 2021/22 budget; Mr Chiu suggests that the rates should be reviewed on a regular basis. Eventually, he says transaction costs should be reduced in order to attract investors and hence maintain the competitiveness of Hong Kong as a preferred destination for IPOs.

Well-Governed Companies Gain Investor Trust

With regard to another consultation being undertaken by HKEX that proposes to make enhancements to the Corporate Governance Code and Corporate Governance Report as well as related amendments to the Listing Rules, Mr Chiu says that raising the level of corporate governance is the cornerstone for building investor trust. He believes this is an area which is vital for companies to nurture. “Companies with a good governance culture and transparent operating policies are perceived as being trustworthy and honest, which in turn encourages long-term investment,” Mr Chiu notes. Over the long run, this intrinsic value will be reflected in the company’s share price. “Promoting a good corporate governance culture is a responsibility incumbent upon management. In recent years, investors have come to realise that good corporate governance and social responsibility are closely related to a company’s long-term, sustainable development. Therefore, investors generally prefer to invest in firms that are transparent.”

Investment Themes for a Post-COVID World

As the global trend towards energy conservation and emissions reduction progresses, Mr Chiu believes that turning to renewable energy, electrification and recycling will play an important role in the decarbonisation of energy systems to tackle the adverse effects of climate change. “Companies and investors are now seeing greater investment opportunities as infrastructure upgrades gather pace,” he says.



此外，他亦樂見監管機構在推動市場效益和投資者透明度上不遺餘力，例如將推出FINI公開招股結算程序平台以及市場波動調節機制（市調機制或VCM，俗稱「冷靜期」）。他說：「現今投資市場資訊越來越豐富而且流傳速度極快。我們認為港交所引入VCM機制，有助增加市場的穩定性，可以有效地減低突如其來的消息或市場氣氛急轉所帶來的衝擊。推出之後市場可以有更多時間了解情況，使投資者能夠快速冷靜地回歸理性，給予不同類型投資者一個公平的環境。」

他續說，香港擁有獨特的優勢，資金貨幣自由流通，有完善成熟的法規，且位於有利的時區。即使是於去年疫情期間，市場交易仍相當活躍。但疫情下實體經濟難免大受打擊，政府稅收下降但抗疫開支增加。庫房在如此壓力下，我們亦理解政府上調股票印花稅稅率，的確能於短時間內增加財政收入。但長遠而言，政府應該適時檢討股票印花稅率，並積極減低交易成本。從而吸引投資者繼續來港投資，以保持香港股市在國際融資市場的競爭力。」

良好管治企業 獲投資者信任

就近日港交所檢討《企業管治守則》並作市場諮詢，建議提升《企業管治守則》及《企業管治報告》以及相關的《上市規則》條文。他認為提升上市公司的企業管治水平，是贏取投資者信任的基礎，對企業可持續發展十分重要。擁有良好的管治文化及清晰營運方針的企業，由於透明度較高，無論是機構投資者還是散戶也傾向長期持有，企業價值長期會反映在股價上。

「持續提升良好的企業管治文化是管理者必須履行的責任，近年投資者已逐漸意識到良好的企業管治和企業社會責任，跟公司的長遠可持續發展有著密切的關係。因此，投資者普遍對資訊披露較全面和詳細的公司的投資意欲會相對較高。」他解釋道。

On the other hand, the COVID-19 pandemic is restricting the movement of people. Coinciding with the deployment of 5G networks, the pandemic has become a catalyst for businesses to digitally transform. At the same time, the advent of the Internet of Things (IoT), big data analytics, artificial intelligence and robotics is giving rise to telemedicine and remote care, which is driving demand for more advanced, cutting-edge medical technology and equipment. With this trend expected to continue, Mr Chiu expects to see more investment opportunities in firms penetrating new value chains created by the digital transformation of the healthcare sector.

Fintech Keeps Hong Kong in the Lead

Energy conservation, emission reduction and the pandemic foster an environment conducive to technological innovation, and Fintech is one of the main drivers of this trend. Mr Chiu believes that only with the help of Fintech can Hong Kong maintain its leading position in the global financial market.

“China Tonghai Securities has been using different kinds of Fintech to improve the quality of services,” Mr Chiu says. For example, the company continues to optimise its online trading platform to make the trading process, from account opening and daily trading to funds transfer, faster and more intuitive. “As a multi-market, multi-product trading platform (tradable products cover stocks, futures, options and global futures), we have also strengthened our risk management capabilities through our proprietary back-end monitoring system, which allows us to operate smoothly 24 hours a day regardless of time-zone restrictions.”

Furthermore, China Tonghai Financial Group has been partnering with a local Fintech company, iDDY, in which it became a shareholder in 2018, to develop a suite of smart investment tools. Since its launch last year, the “Quam Derivatives App” has gained popularity among the company’s customers. The system uses AI to shortlist the most suitable callable bull/bear contracts (CBBCs) according to the user’s selected presets. Using big data, it then

後疫情年代投資環境 何去何從

趙進傑先生認為，在全球節能減排的大趨勢下，增加使用可再生能源、電氣化和資源回收再利用，有助減少全球碳排放，是逆轉氣候變化趨勢的關鍵，並且將創造新的投資機遇。另一方面，疫情限制了各地的交通運輸，適逢5G網絡投入服務，成為了企業走向數碼轉型的催化劑。隨著物聯網、大數據分析、人工智能和機械人技術成熟，有助推動醫療科技創新，特別是遠距醫療科技的發展。以上創新將會引發醫療產業對高端設備和系統的提升和優化的龐大需要，將獲投資者注意。

金融科技保持香港金融市場領跑地位

節能減排及疫情鼓勵科技創新，而金融科技亦已經成為業界發展不可或缺的新趨勢。趙進傑先生相信，通過科技的幫助，才可保持香港的金融市場在全球領跑的位置。

「中國通海證券一直使用不同的金融科技來提高服務質素。例如，我們不斷優化公司的網上交易平台，令客戶從開戶、日常交易以至資金提存的過程更為方便快捷。作為一個可同時打通多市場、多產品（目前可交易產品覆蓋股票、期貨、期權、環球期貨）的交易平台，我們亦透過自主研发的後台監控系統，強化風險管控的能力，不受時區限制在全日24小時暢順運作。」



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calculates the theoretical value of the derivatives when the underlying stock market price reaches a certain level. This capability helps users to make more informed investment decisions. The system can also be connected to the company's trading platform to shorten order execution time and prevent duplicate orders.

The company's Top10 AI smart stock screening tool, which is also powered by big data, AI machine learning and deep learning models, is available on Quamnet.com. Based on the screening system's stock selection results, the winning probability (defined by being able to gain from the sale of stock held for more than 20 days) is about 58.5%. While a portfolio with the stocks recommended by the "AI smart screening system" generated an impressive annualised return of about 45%.

"We are currently developing 'AI brokerage' services based on the big data we have accumulated," Mr Chiu explains. With voice recognition, it will help brokers to better cater the investment needs of clients. It will also help brokers broaden their understanding of different investment products. **M**

— Chris Davis
Editor

與此同時，中國通海金融集團於2018年入股的本地金融科創公司iDDY，針對投資產品的特性，開發出符合客戶需要的智能投資工具。「華富牛熊」自去年推出後深受用戶歡迎，系統以AI人工智能按照用戶的預先設定，篩選出最適合的牛熊輪證，以及利用大數據計算出正股在某個價格時，相關輪證的理論值，藉以幫助用戶作出更精準的投資決定。系統更可以連接到公司的交易平台，縮短下單時間和省卻重複輸入的不便。

「華富財經」網站上的另一套系統——「10大熱門股智能捕捉」——同樣是以大數據開發的投資策略。該系統利用AI、機械學習和深度學習的模型，每日推算出股票價格有最大機率上升的10間上市公司。以系統在過去12個月的選股計算，截至2021年5月初的股價上升命中率（策略為持貨20天後有盈利）約為58.5%，而跟蹤系統推薦的「AI組合」所產生的年化回報率約為49%，成績斐然。

「我們正在研發『AI經紀』服務，利用已有的大數據基礎，再加入語音辨別功能，來協助經紀可以更有效率的照顧客戶的投資需要，幫助經紀擴闊對不同投資產品的認識。」**M**

— Chris Davis
主編

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