

Part B Consultation Questions

Please reply to the questions below that are raised in the Concept Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017061.pdf>

Please indicate your preference by checking the appropriate boxes.

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

1. What are your views on the need for Hong Kong to seek to attract a more diverse range of companies and, in particular, those from New Economy industries to list here? Do you agree that the New Board would have a positive impact on Hong Kong's ability to attract additional New Economy issuers to our market?

Please give reasons for your views.

I am supportive of having a new board to attract a wider range of companies. However, the companies to be listed on the new board may not be those in the segments under the New Economy industries.

Whether or not the new board will have a positive impact is difficult to tell. It depends on the quality of those companies and their business stories. Whether or not the new board will enhance Hong Kong's ability to attract additional New Economy issuers is straightforward yes. BUT - this question is rather silly and irrelevant and pre-emptive. We do not want to attract New Economy issuers for the sake of having more such New Economy issuers to be listed on the new board. The key question is whether we should have New Economy issuers to be listed in our Hong Kong market.

2. What are your views on whether the targeted companies should be segregated onto a New Board, rather than being included on the Main Board or GEM?

Please give reasons for your views.

Yes. Having a new board for those targeted companies will facilitate the launch of the new board because a new set of the applicable listing rules can be drafted relatively easily.

3. If a New Board is adopted, what are your views on segmenting the New Board into different segments according to the characteristics described in this paper (e.g. restriction to certain types of investor, financial eligibility etc.)? Should the New Board be specifically restricted to particular industries?

Please give reasons for your views.

The new board should attract companies with a wide range of businesses and should not be restricted to companies with certain select business segments. Any such restriction on business segment is bound to be difficult to implement. For example, it is difficult to tell whether a company is a tech or pharma company, the definition of such is arbitrary.

4. What are your views on the proposed roles of GEM and the Main Board in the context of the proposed overall listing framework?

Please give reasons for your views.

We need a new listing board which attracts companies which are not suitable for listings on the Main Board.

The GEM Board has lost its original characteristic as a board for fast-growing companies. It has to be phased out.

5. What are your views on the proposed criteria for moving from New Board PRO to the other boards? Should a public offer requirement be imposed for companies moving from New Board PRO to one of the other boards?

Please give reasons for your views.

Having too many different types of listing boards may not be good for investors. If one thinks about the various stock exchanges in the world, it is not easy to have a good grasp of the characteristic of each listing board.

Keep it simple - one Main Board (with higher listing requirements) and a new board (one segment only) for companies with no restriction on business segments but is for professional investors only. The companies may be pre-profit companies or may have profit records but do not meet the profit requirements under the Main Board or GEM listing rules.

6. What are your views on the proposed financial and track record requirements that would apply to issuers on New Board PRO and New Board PREMIUM? Do you agree that the proposed admission criteria are appropriate in light of the targeted investors for each segment?

Please give reasons for your views.

I am supportive of having a new board which is similar to New Board PRO but suggest that the new board should not be restricted to companies from certain business segments.

7. What are your views on whether the Exchange should reserve the right to refuse an application for listing on New Board PRO if it believes the applicant could meet the eligibility requirements of New Board PREMIUM, GEM or the Main Board?

Please give reasons for your views.

Agree. The response to Question 7 has to be read together with, and in the context of, the responses to Questions 5 and 6.

8. What are your views on the proposed requirements for minimum public float and minimum number of investors at listing? Should additional measures be introduced to ensure sufficient liquidity in the trading of shares listed on New Board PRO? If so, what measures would you suggest?

Please give reasons for your views.

Agree.

9. What are your views on whether companies listed on a Recognised US Exchange that apply to list on the New Board should be exempted from the requirement to demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong? Should companies listed elsewhere be similarly exempted?

Please give reasons for your views.

Disagree. Companies should have corporate governance standards/structure equivalent to shareholder protection standards in Hong Kong. WVRs give rise to different intrinsic values of the shares with and without WVRs. The whole concept of WVRs is unfair to investors, who can only acquire shares without WVRs.

10. What are your views on whether we should apply a “lighter touch” suitability assessment to new applicants to New Board PRO? If you are supportive of a “lighter touch” approach, what relaxations versus the Main Board’s current suitability criteria would you recommend?

Please give reasons for your views.

Agree. This new board should be under "buyer beware" and "disclosure-based regimes."

11. What are your views on whether the New Board PRO should be restricted to professional investors only? What criteria should we use to define a professional investor for this purpose?

Please give reasons for your views.

Agree. The definition can be based on the meaning as set out in the SFO, but it can be further fine-tuned.

12. Should special measures be imposed on Exchange Participants to ensure that investors in New Board PRO-listed securities meet the eligibility criteria for both the initial placing and secondary trading?

Yes

No

Please give reasons for your views.

Exchange Participants should confirm to the Exchange that the investors meet the professional investor requirements.

13. What are your views on the proposal for a Financial Adviser to be appointed by an applicant to list on New Board PRO, rather than applying the existing sponsor regime? If you would advocate more prescriptive due diligence requirements, what specific requirements would you recommend be imposed?

Please give reasons for your views.

See responses to Questions 5, 6 and 10. Appointment of a financial adviser should be voluntary. Since the new board should be under "buyer beware" and "disclosure-based" regimes, no prescriptive due diligence requirements should be imposed. However, the listing rules should set out the information to be disclosed in the prospectus. The prospectus responsibilities and liabilities are the same as those for GEM or Main Board listing applicants, and should rest on the directors of the company.

14. What are your views on the proposed role of the Listing Committee in respect of each segment of the New Board?

Please give reasons for your views.

See responses to Questions 5, 6 and 10. I am supportive of having one new board (one segment) only. The role of the Listing Committee should be the same as its existing role when considering Main Board/GEM applicants to ensure consistencies in the application of rules and policy.

15. Do you agree that applicants to listing on New Board PRO should only have to produce a Listing Document that provided accurate information sufficient to enable professional investors to make an informed investment decision, rather than a Prospectus? If you would advocate a more prescriptive approach to disclosure, what specific disclosures would you recommend be required?

Yes

No

Please give reasons for your views.

Even though the investors are limited to professional investors only, the directors' liabilities should be no less than the liabilities imposed by law. Hence, a prospectus is required. Since the appointment of a sponsor is not required and the appointment of a financial adviser is voluntary (see response to Question 13), it is up to the directors and the company to appoint professional parties as they see necessary to assist their compliance with the prospectus requirements.

16. What are your views on the proposed continuous listing obligations for the New Board? Do you believe that different standards should apply to the different segments?

Please give reasons for your views.

Agree. The new board companies should be subject to post-listing obligations.

17. For companies that list on the New Board with a WVR structure, should the Exchange take a disclosure-based approach as described in paragraph 153 of this Concept Paper? Should this approach apply to both segments of the New Board?

Please give reasons for your views.

Companies should have corporate governance standards/structure equivalent to shareholder protection standards in Hong Kong. WVRs give rise to different intrinsic values of the shares with and without WVRs. The whole concept of WVRs is unfair to investors, who can only acquire shares without WVRs. See response to Question 9.

18. If, in addition, you believe that the Exchange should impose mandatory safeguards for companies that list on the New Board with a WVR structure, what safeguards should we apply? Should the same safeguards apply to both segments of the New Board?

Please give reasons for your views.

See response to Question 17.

19. Do you agree that the SEHK should allow companies with unconventional governance features (including those with a WVR structure) to list on PREMIUM or PRO under the “disclosure only” regime described in paragraph 153 of the Concept Paper, if they have a good compliance record as listed companies on NYSE and NASDAQ? Should companies listed elsewhere be similarly exempted?

Please give reasons for your views.

Disagree. See response to Question 17.

20. What are your views on the suspension and delisting proposals put forward for the New Board?

Please give reasons for your views.

It should follow the Main Board requirements. The proposal of different suspension and delisting requirements for new board companies is not convincing.

21. Should New Board-listed companies have to meet quantitative performance criteria to maintain a listing? If so, what criteria should we apply? Do you agree that companies that fail to meet these criteria should be placed on a “watchlist” and delisted if they fail to meet the criteria within a set period of time?

Please give reasons for your views.

See response to Question 20.

22. Do you consider that an even “lighter touch” enforcement regime should apply to the New Board (e.g. an exchange-regulated platform)?

Yes

No

Please give reasons for your views.

There is no such a "lighter touch" concept in terms of enforcement or liability exposure. Directors of a new board company cannot be subject to a lesser degree of liability exposure.

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