

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.

The answer to the first part of the question is trivial. Of course any market would like to have a diverse range of listed companies. But this continuous mention of "New Economy" industries is troubling me. A ground breaking new product or technology is obvious new, but so is an innovative marketing, manufacturing or managing technique in an "Old" industry. It is impossible to define "New Economy". Therefore, my view is that while Hong Kong definitely wish to attract different kinds of companies to come here to list, a New Board is not the answer.

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.

The idea of having 4 different Boards (Main, GEM, New PRO, New Premium) does not appeal to me at all. Just keep it simple: one for the professionals (at your own risk) and the other for all investors (some apparently competent regulatory bodies are looking after your interest, to a certain extent).

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.

NA. See answer to 2 above.

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.

There have been a lot of question marks on the value of existence of GEM. I am one of those who question it. As can be seen in my answer to Q2, there should only be one single market for all the investors.

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.

Any company which wishes to move to the Main Board should be required to comply with a public offer requirement to achieve public float requirements. This would mean that in case the applicant already has a wide shareholders base (eg. already listed elsewhere) may have exemption. Having said that, a "public offer standard" listing document must be required in any case.

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.

Under my suggestion of a "professional investor" Board, there should be no financial or track record requirements.

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.

The applicant should have a right to choose. In my 2-market suggestion, some applicants, despite their size and profitability, may prefer to stay in a market with only professional investors, enjoying a lower level of regulation but have limited access to funds. Others may think differently.

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.

Professional investor only market should not have liquidity requirement.

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.

The principle is clear. For companies listed on any Board, shareholder protection standard should be the same. This is not to say that all should have the same provisions in their constitutional documents or that the relevant legal rights in their respective jurisdiction must be the same. But certain stipulated minimum standard of protection should be imposed, either through legal or constitutional path.

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.

As stated earlier, professional only market should be operated on a "at your own risk" approach.

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.

There is clearly a need for a "professional only" market. Obviously corporate investors are deemed to be professional. In additional, high net worth individual investors, through a process of recognition by his/her bankers/stockbrokers and self certification, may be included.

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.

See 11 above.

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.

Naturally the lighter touch approach should also apply to the Financial Adviser/Sponsor. Due diligence standard should be largely left to the Financial Adviser. Professional investors are supposed to set their own requirements on their target investee.

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.

As far as the professional only market is concerned, the Listing Committee should leave a free hand to the participants. Their role is more crucial when public investors are allowed in.

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.

The Financial Adviser should bear the responsibility to provide sufficient information to the "professional investors".

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.

Most continuous listing obligations should apply to all (perhaps except those which clearly relate to "public" investors and not applicable to a company with only professional investors). Most of the obligations are about management conduct and I see no distinction between a company with retail investors and with just professional investors.

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.

I am categorically against WVR. In the old days, WVR was invented to protect hostile takeovers when (1) the "controlling shareholders" wish to lower their shareholding level, and (2) more importantly, the break-up value of the company is higher than the market capitalization (particularly so for property companies). For "New Economy" companies, there is no break-up value issue. The long term vs. short term argument is extremely flimsy. If the incoming controlling shareholder replace the existing management/founder with incompetent people, it is destroying value, rather than releasing hidden value.

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.

NA. No WVR should be allowed.

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.

No.

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

Please give reasons for your views.

As a principle, suspension and delisting in a professional only board should not be causally applied. It is supposed to be a high risk market, and corporate failure should be accepted as a natural path for delisting.

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.

Not for a professional only board.

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.

But only to a professional only board.

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