

We are of the view that a listing regime should co-evolve with time and that ideally, a robust and vibrant stock market is one that is able to attract the listing of all kinds of companies which has promising prospects.

We are also of the view that New Economy companies should be seen as an increasingly important part of our modern economy and that there are quality companies in this sector. As such, we do welcome the initiative of HKEx to take in both the established new economy companies and the start-ups. The main concern we have is that the new economy seems to be a sector where profits are dominated by a few strong players and that the rise and fall of companies in this industry could be very fast. As such, we think it is also worthwhile to have a mechanism which can allow the market to take out the unsuccessful ones lest that this would adversely affect the perceived overall quality of companies in the HK market. This could mean setting up trigger criteria such as failure to achieve positive cashflow/ profit or minimum liquidity ratio for x consecutive years etc.

Indeed, we think the same can also be said of the main board. We notice that the bulk of the market's turnover are concentrated in the top 5-10% of the listed stocks and there are many listed companies in HK which are thinly traded and are weak in terms of financial performance or corporate governance. We do sense that this has weighted negatively on the perceived governance standard of the HK market and believe that it could be important and constructive to have a mechanism to allow the market to remove companies which are not that qualified or not that keen about staying listed. (apart from trigger criteria like those mentioned above, we think making it easier for these companies to be privatized or taken over could also be a way to encourage market forces to sort out this issue).

Regarding the issue of weighted voting rights, our view is that the most important thing is to ensure that the companies do work for the interest of all shareholders and that weighted voting rights may not necessarily be contradictory to that principle or it is not inconceivable that a company which has weighted voting rights could still be quality companies that have good governance and work for all shareholders. The challenge though is how to minimize abuses on WVRs. We do think it is appropriate to allow WVRs only on the new board and believe that it would be constructive and useful to have some rules or measures in place to avoid abuses and that companies could be disallowed to have WVRs if they are judged to have abused it.

On the whole, we do see the proposal as a positive and constructive step forward. One issue that may be noted is that we and some investors do have an impression that all along, HKEx's focus seems to fall more on the primary market especially the growth of listed companies and mrk cap. in HK. This is understandable but we do think that a healthy and more sustainable market would require a strong and robust secondary market as well. As such, we do think that it is also important to have ways to stimulate market forces to clear the market of some lower quality companies or those which are not that keen about staying listed. In this connection, we believe that facilitating M&A activities or privatization could be of help in terms of promoting a more vibrant and healthy secondary market.

Hope this would be of use and pls do not hesitate to let me know if there are points which you would like me to elaborate on. Best regards,

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