

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.

<p>We feel a strong need to either create a New Board or to make significant changes to rules governing listings on the Main Board and GEM. This is needed in order to attract New Economy industries such as pre-profitable IT and biopharma companies. As there is currently no realistic option for a high-growth, high-quality pre-profitable company to reasonably list other than in the US exchanges, we believe there will be strong impact on HK's ability to attract these New Economy issuers.</p>

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.

There will be issues with both creating a New Board, as well as modifying rules for the Main Board or GEM. We feel instead of trying to deal with the complications of modifying rules for the existing board (Main & GEM), it may be easier to create a New Board with the intention of eventually merging the New Board listings into the Main Board. There are two major suggestions however: 1) Creating only one New Board, vs. segregating the PREMIUM and PRO boards; 2) Increasing the listing requirements of the PREMIUM/PRO New Board to much higher levels. For example, if one mandated a higher minimum valuation of HK\$2 billion and documented capital raised of at least HK\$500 million for even pre-profitable listing companies, HKEX would attract only the truly "Premium" or high-quality companies that would list in the new exchange. One of the dangers of making the minimum listing requirements currently so low will be that it attracts many "pretender" or inferior-quality listings, which will eventually be de-listed

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.

We do not agree with segmenting the New Board into separate Premium and PRO versions with different investor eligibility. Instead, we favor one New Board, but with a much higher minimum listing requirements, even higher than for the Main Board in terms of valuation. For example, pre-profitable companies should need to demonstrate a minimum value of HK\$2 billion and previously documented accumulated capital raises of at least HK\$500 million prior to applying to list on the New Board. These standards could always be lowered at a later time (if needed), but by requiring very high listing requirements for pre-profitable companies initially, it will ensure that the New Board attracts only the highest quality New Economy companies from the start of the New Board's inception. We believe this will lead to a virtuous cycle of reinforcing the reputational value of listing on HKEX vs. initially having lower requirements that will only likely attract questionable quality companies that potentially abuse the New Board.

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 agree with increasing the minimum listing requirements for both the GEM and the Main Board. We would advocate significantly increasing these minimum requirements to even higher than what has been suggested in the New Board Concept paper.

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.

We do not believe having a separate PRO board segmented from the PREMIUM New Board makes sense. We believe the New Board should be combined. However, we agree that stringent due diligence requirements and public offering documents should be imposed for movement to the other boards

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.

We feel one should ideally combine the PRO and PREMIUM New Boards into one New Board. In both cases, we feel there should be a significant increase in the minimum listing requirements to valuation (e.g. minimum HK\$2 billion) and documented accumulated capital raise (e.g. at least HK\$500 million raised from accredited investors previous to listing on the New Board)

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.

We agree with this rule, especially if the New Board is reserved for New Economy companies. However, we would encourage a pathway to plan for the New Board to eventually merge with the Main Board at a future date.

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.

We feel the minimum public float requirements should be increased. However, we feel HKEX can ensure sufficiently liquidity on the New Boards by significantly increasing the minimum valuation requirement for listing on both the PRO and PREMIUM New Boards (higher than even the Main Board). This would attract only the highest quality pre-profitable companies, rather than potentially attracting questionable quality companies with very low floats.

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.

We agree with the exemption, although we would also recommend imposing a high minimum valuation/market capitalization and trading liquidity requirements on the exempted companies in order to list on the New Board.

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.

We agree with lighter regulatory touch for New Board PRO, but recommend significantly increasing minimum valuation requirements to ensure that pre-profitable companies are of the highest quality. Otherwise, HKEX is inviting the potential for abuse with poor-quality pre-profitable companies that will flood the New Board PRO, and abuse its "lighter touch" rules.

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.

We disagree with segmenting the New Board PRO to only professional investors. It is extremely difficult to define what is a "professional" vs. non-professional investors, except by amount of capital under management in an account. Instead, if one raised the minimum valuation requirements for listing on New Board PRO to substantially higher minimum requirements (e.g. minimum valuation of HK\$ 2 billion), this would likely increase the quality of the listings, so that retail investor abuse potential is lessened.

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.

Difficult to implement and would significantly decrease likely liquidity of the New Board issues

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.

Extensive due diligence and disclosure requirements (financial, regulatory, individual, banking, etc..) are more helpful in our view.

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.

If they can ensure that only high-quality companies are listed (unlikely to be de-listed), this would be helpful in our view.

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.

Prospectus is preferred.

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.

We believe delisting procedures should be proscribed to potentially delist underperforming companies. We do not believe in segmenting into PRO and PREMIUM New Boards, so the standards should be the same.

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.

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.

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.

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

Please give reasons for your views.

Delisting procedures should be clearly applied with minimum share price, trading-halt time, as well as liquidity requirements 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.

Yes we agree with having to meet quantitative performance criteria to maintain listing. Otherwise, questionable and poor quality or poor-performing companies will inhabit the New Board and create a flood of "Zombie Company" listings.

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.

Efficiency

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