

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.

Agree that there is a high concentration of sector among stocks listed in HK.

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.

Any kind of companies, even "old economy" companies that adopt new technology to reinvent its "old economy" business, should be classified as targeted issuers too. For example, a retailer that adopt internet technology to evolve into e-commerce should be considered as "new economy".

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.

Agree with the concept that the New Board PRO should be restricted to PI only. However, the disclosure requirement for both New Board PRO and New Board PREMIUM must be sufficient enough for professional analysts to perform independent analytical work. I think companies that fulfill listing eligibility on the main board should not seek an easier route via 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.

Agree with the proposed roles.

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.

Yes, any companies that move from New Board PRO to New Board PREMIUM or the Main Board should fulfill all IPO requirements of a public offering, ie sponsorship and prospectus. On the assumption that the companies have grown and changed since the initial listing on New Board PRO, new and more detailed information must be provided to all potential investors. This is an essential step for the companies to re-introduce their business and risk factors. Since retail investors will be introduced to the companies for the first time (as they are barred from New Board Pro), measures must be taken to protect the retail investor.

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 think that it is appropriate.

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.

Yes, we agree to reserve the right.

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.

Yes, additional measures should be introduced to ensure the minimum public float and minimum number of investors at listing are truly allocated to independent non-related investors. Professionals-only board does not mean professional investors are willing to invest in a company subject to major shareholder's manipulation.

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.

No exemption, we shall maintain the current equivalent shareholder protection standards under the 2013 JPS across all boards. Otherwise, how can we allow companies to move from New Board PRO to another 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.

Agree with a lighter touch, assuming that New Board PRO can only allow for professional investors.

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 think that it should restrict to PI only and the existing definition of PI by SFO is good enough.

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.

We think that higher level of shareholder protection shall be imposed to reduce the potential threat of non-performance.

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.

The Financial Adviser regime can be used for listing on New Board PRO, a lower cost approach. However, this exactly highlights the importance of having a Sponsor and issuing a Prospectus when the company moves from New Board PRO to New Board PREMIUM/Main Board, i.e. the company must fulfill all IPO requirements of a public offering for protection of retail investors (refer to the answer in pt. 5).

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.

The Listing Committee must ensure that a rigorous vetting process is in place with veto power to deny listing.

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.

Listing Document would suffice but the essential element of "statement of risks", "management discussion and analysis" and "financial statements" must be included.

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 with the continuous listing obligations for the New Board.

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.

Yes, apply to both segments.

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.

Agree with some safeguards, for example, investors should have a channel to complain, if they have evidences that the listed company management are not acting on the best interest for the company and shareholders. I think this should apply to both segments of New Board with a WVR structure.

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.

We agree

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

Please give reasons for your views.

We agree to impose the suspension and delisting proposals for the New Board.

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.

We agree to the above suggestions.

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.

We think that the efficiency of enforcement process is an issue.

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