

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.

Yes, I agree that the New Board would have a positive impact on Hong Kong's ability to attract New Economy issuers. In recent years, there has been a growing number of New Economy Industry companies in Asia and Hong Kong Main Board has highly concentrated financial and property sector listings (44% of the total market capitalisation). This suggests that not enough companies are choosing to list in Hong Kong. With HK's strategic geographic location and the new proposed measures, companies will have a new attractive option to access the public capital market. The New Board create an alternative option for companies to list in Hong Kong (through light touch approach)

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.

Main Board and GEM don't allow weighted voting rights at the moment. If there is a new board, companies with WVR structure will not affect the current companies listed on the main board. Mutual funds, existing index tracking and passive funds will also stay the same, allowing more flexibility for New Board regulations.

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.

I agree on the PRO, Premium segmentation and that New Board PRO should be limited to professional investors and New Board PREMIUM to both professional and retail investors. As New Board PRO has reduced financial requirements for companies to list, it implies higher risk for potential investors and retail investors may not completely understand the underlying risks if filing is based on disclosure only regime. the financial eligibility for professional investor should remain the same.

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.

The proposed listing framework will increase the barrier to list on the GEM board and is necessary to complement the New Board. GEM main role is to attract fast growing companies, but for retail investors. It is important that each board has their respective unique positioning and the new proposed GEM framework is well positioned it for SMEs listings.

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.

Companies moving from New Board PRO to other boards should be required to issue a premium issue prospectus. However they will not require a sponsor and financial adviser should be able to advise this process. The premium prospectus should provide an updated business scope for potential new investors. Fintech companies should not be allowed to list on the New Board Pro

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.

Pro: market cap requirement only; no revenue, no profit required
Premium: same as main board. The requirements are appropriate for the targeted investors. However, believe PRO should require 2 years of audited financial statements to SEHK to ensure the company is dedicated to continue sustainable growth.

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 Exchange should have the right to refuse listing on New Board PRO if it believes the applicant could meet the eligibility requirements for PREMIUM. This can be due to the industry nature and financial track record. High quality companies that is over the PRO requirements should be advised to move to PREMIUM or GEM board.

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.

minimum flow requirement 25% should be in placed, PRO shareholder numbers: 100, premium 300 should be kept to ensure sufficient liquidity

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.

Both PRO and PREMIUM should require shareholder protection standards even if companies are listed in the NYSE and NASDAQ. the exemption should be made by HKEx on case by case situation only if the companies are listed on NYSE and NASDAQ. Other requirements such as AGM, audited results. change company ordinates should still be required to list in Hong Kong. HKSE should have the right to approve company listing. Other places such as London should not be included for now.

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.

A lighter touch is suitable for New board PRO and will reduce the burden of the listing committee and allow New Economy companies to list in Hong Kong. However, the listing department should assess the business scope, company nature, director suitability before approval.

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.

Yes, New Board PRO companies are more high risk, and should only be open to professional investors. The definition for professional investors under SFO should be the same.

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.

In China, end investors are kept track. With the two New Board, Exchange Participants should be responsible to ensure that investors are eligible to take part in initial place and secondary trading as EP bears the same role in Main Board and the system and definition to access eligibility is already in placed.

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.

I agree with the proposed appointment of registered financial advisors for New Board Pro. The sponsor regime will add significant cost to the issuer and the liability involved will be also different. Financial advisers will mainly coordinate the preparation of a document help highlight and disclose high level risks.

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.

Currently for Main Board listing, it goes through listing department for screening and making the cast. It will then be presented to the listing committee consisting of market expert including lawyers and auditors for approval. New board PREMIUM has similar financial requirements and so should go through the listing committee. New board PRO with the proposed light touch should delegate the responsibility to listing department to decide on listing. GEM should go through listing committee with its revised rules.

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 should require full disclosures that will enable Professional Investors make informed decisions. A full prospectus may not be required for PRO listing. In the OTC market, such documents are not produced. Comprehensive disclosures should be required when companies change from PRO to PREMIUM to protect retail 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.

Continuous listing obligations should apply to New Board PREMIUM to protect shareholders. Considering the nature of New Economy companies listed on PRO, HKEx may grant more time for companies file their financials reports. The shareholding voting base should also remain the same for 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 similar to the US, New Board should have WVR. This will be the key difference to the Main Board and can attract US listed companies to come to HK. PREMIUM and PRO should have disclosure base approach (with more strict requirements for Premium)

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.

There should not be mandatory safeguards to restrict the founder from selling their shares after listing. Special right that the shares have to be converted to normal shares may be applied if the equity is no longer held by the founders. This will protect the shareholders and ensure that the near term development is still driven by the founder

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.

Companies listed in US have good compliance and SEHK should allow them to list on New Board under the disclosure only regime. Company valuation, investor base, research coverage and brand are other reasons that more prominent for reason to list in Hong Kong. Companies listed in UK and Singapore should not be exempted.

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

Please give reasons for your views.

The suspension and delisting measure are necessary to improve market quality and remove poorly performing or inactive companies. (Main board and GEM have no requirements) If low quality company are listed on the New Board automatically delisting after 90 calendar days suspension(pro); 6 months (or even 4 or 5 months) (premium). There may be a grace period for if there is an on going law suit

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.

To strike a balance between lighter touch listing rules, strict quantitative performance (such as revenue standards) have to be in placed. SEHK may consider adding a liquidity measure and add companies to the watchlist if trading volume is too low. SEHK may have the power to delist companies should it stay on the watch list for over a year. will it affect the image of the board. to strike a balance. at the moment no proposed.

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.

To maintain the robust regulatory framework and uphold Hong Kong's status as an international financial centre, enforcement regime should not be too lenient. Listed companies on the New board should be regulated by SFC and SEHK will regulate companies seeking admission

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