

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.

Currently, New Economy enterprises such as high-tech and Internet enterprises gradually become the driving force of economic development. Hong Kong should attract more New Economy enterprises to join its capital market because this helps to enhance Hong Kong's competitiveness, improve the quality of the Hong Kong's stock market and increase investment channels for investors.

I agree that the New Board would have a positive impact on Hong Kong's ability to attract additional New Economy issuers because it loosens the threshold for New Economy enterprises and makes it more convenient for these enterprises to participate in the Hong Kong capital market.

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.

Different from traditional enterprises, New Economy enterprises focus not on the capital but on market occupancy rate and intangible assets such as ideas, technology, and intellectual property. Therefore, these companies may not be able to meet the financial or track record criteria for GEM or the Main Board. To maintain market order and protect investors, at the same time to meet the financing needs of different issuers, targeted New Economy companies should be segregated onto a New Board.

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 to segment the New Board according to types of investor because there exists significant difference in risk management ability and investment style between professional and retail investors. Thus segmenting the New Board is helpful to protect investors and maintain the market order. The New Board shall be strictly limited to the New Economic industry. If Old Economy industries can leverage on the pre-profit entry requirements to list, perceived quality of the New Board could be lowered and the market risk may be magnified.

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.

I agree that Main Board should be positioned as a “premier board” and GEM as a “stepping stone” to the Main Board. Actually these two markets should be separated to better control market risk.

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.

I agree with proposed criteria for moving from New Board PRO to the other boards because the threshold for New Board is less stringent than other boards. I think public offer requirement should be imposed for the transfer to avoid the issues of high shareholding concentration, illiquidity and high volatility.

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.

Though New Board PRO will not require an issuer to have a track record or to meet any minimum financial hurdles, companies listed on New Board PRO should prepare its revenue and profit forecast about coming years to prove it has growth potential.

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.

I agree that 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. This will better meet the interest of the public and efficiently allocate resource.

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.

When comes to the requirement that a listing applicant of New Board PRO to have a minimum of 100 investors, it is better to require such investors have no related interest to ensure 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.

I regard that companies listed on a Recognized US Exchange or elsewhere should be required to demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong. This helps to protect the rights of shareholders.

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.

In my opinion, requirement about track record or financial hurdles of companies to list in New Board can be relaxed. But the requirement about reliance upon a parent group / connected person / major customer and the sustainability of the applicant’s business model should be maintained.

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.

Because hurdles for listing on the New Board PRO are less stringent, the New Board PRO should be restricted to professional investors only. But criteria to define professional investor should not only depend on the scale of assets or investment, but also on the relevant profession, educational background and transaction records, etc.

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.

Such special measures can help protect the interest of the public and maintain market order.

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.

Because hurdles for listing on the New Board PRO are less stringent, more prescriptive due diligence requirements should be adopted. For example, sponsor regime should be maintained to verify the accuracy and completeness of the information contained in the company's issuance documents, to confirm that the enterprises belong to the New Economic industries and to follow strict information disclosure systems.

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.

I agree with the proposed role of the Listing Committee

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.

I believe applicants to listing on New Board PRO still need to provide the prospectus to make its brief information accessible to the public investors. Applicants also need to ensure the accuracy of material, and explain why it can be categorized as New Economic industry.

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.

I believe proposed continuous listing obligations should be applied for the New Board and same standards should apply to the different segments to maintain market order.

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 agree the Exchange should take a disclosure-based approach to companies that list on the New Board with a WVR structure and this approach should be applied to both segments of the New Board.

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.

I believe that the Exchange should impose mandatory safeguards for companies that list on the New Board with a WVR structure. Examples of such safeguards include restrictions on the types of persons that can hold WVR, the minimum equity that they must hold in the company on an ongoing basis, restrictions on the transfer of WVR to other persons and a “sunset clause”. The safeguards should apply to both segments .

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.

I 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 if they have a good compliance record as listed companies on NYSE and NASDAQ. This can be a trial at present and then be applied to companies listed elsewhere if the mechanism works well.

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

Please give reasons for your views.

I agree with the suspension and delisting proposals put forward 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.

I believe it is necessary to require companies listed on the New Board to meet quantitative criteria on a continuous basis (e.g. share price above a threshold, should not have too frequent capital operation, should maintain appropriate profit). As mentioned in the proposal, such criteria help to improve market quality and reduce the possibility of such companies becoming “shells”.

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.

Stricter enforcement regime should be applied to contain market risk because hurdle for New Board is loosened.

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