

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 we do agree with the need to attract a more diverse range of companies so that investors can have a better balance/selection of companies for their portfolio to suit their needs. Yes it will have a positive effect as new economy companies have limited venues to raise capital.
--

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.

It should be segregated as the risk profile of such companies as well as the track record, be it financial or operational, may fall short of the GEMs or Main board minimum requirement.
--

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 agree with the proposal with the segmentation due to the difference in risk profile. There should not be any restriction placed on specific industries.

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 the different roles played given that it is of different profile and hence different risk/return profile for investors.

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 agree that it should fulfill the minimum requirement of the other boards and should not have any special privileges so as to prevent any loopholes. It should have a public offer requirement imposed to ensure fair play.

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 agree with the different requirements as they cater for different segment of investors with different level of investment knowledge and financial strength.

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 that the exchange has prerogative to refuse application so to prevent an situation where companies can game the system and also defeats the purpose of having the New Board PRO.

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 believe having the min free float and investors is necessary to facilitate the liquidity of such companies. We believe if liquidity is not sufficient over a time horizon, ie 1 or 2 years , measures such as having market makets working together with the largest shareholder to facilitate certain level of liquidity; having more free float etc. This is to prevent market manipulation due to lack of liquidity as well as to ensure the sustainability of the board.

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 believe that companies should be subjected to the stricter requirement of shareholder protection. If US or other countries listed shareholders protection is more stringent than HK then they need not be subjected to HK requirements. This is to prevent companies from jurisdiction arbitrage.

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 are fine with it as it is stated that exchange still has powers to enforce conditions upon companies as and when it deems fit. This gives flexibility without compromising the integrity of the system.

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 are agreeable that New Board PRO should be opened only to sophisticated investors due to the higher risk it entails. Criteria could be in form of annual income, education level, investment experience 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.

It serves as a safety net and part of KYC.

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.

We are fine with FA on New Board PRO . 1) It will be less cost prohibitive to the companies, 2) They are licenced by the regulators and subject to Code of Ethics. We would suggest there is at least a signed of by a designed set of CPA on its accounts for at least 3 years, no major litigations by the companies and lawsuits on the controlling shareholders or management to ensure integrity of the firm, management and controlling shareholders.

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.

A different listing committee is a good idea to prevent any bias. For example, PRO and Premium cater to different types of companies and likely to be different sectors or industries. By having a segregated listing committees will prevent any bias in mindset and relevant expertise to the right segments.

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.

It is cost prohibitive to do a full prospectus for such companies.

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 do not believe that obligations for the new board in particular NB PRO should be as onerous as others due to the amount of resources needed and this will be something that PRO companies may not be able to afford. They should at least do what a private company is doing. For example, dissemination of AGM minutes, set of accounts annually etc.

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 we agree. This allows investors to know what they are getting into. Yes it should apply 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.

We believe that so long as necessary disclosure is made, buyer should know what they are getting into.

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.

Yes we agree. As it has already been listed elsewhere , the necessary operational and financial status of the company has met with the minimum required standard of the exchanges , hence should be allowed to list on the new board. Companies listed in other exchanges should also be welcomed provided that HK Exchange is comfortable with the listing requirements of other exchanges.

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 the proposal put forth as we think it is reasonable.

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 think they should be quantitative performance criteria to be met. However, as they tend to be growth companies, more leeway should be given to them compared to the GEMS or main board. Measures could be profitability, free cash flow to firm, revenue growth etc. Yes, they should be put on watchlist and delist if fail to meet the criteria. They should be given a longer time horizon compared to the existing boards.

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.

Companies seeking to be on the New Board tend to be those at early growth stage. We do not want to "kill" them by being too stringent. That said, there will have to be some level of control or adhere to certain criterias.

- End -