

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.

To maintain its status as an international financial center and to keep its competitiveness, Hong Kong ought to seek to attract a more diverse range of companies. The companies from New Economy industries are likely to take a leading role in the whole world's finance and economy in the coming decades. Therefore, it is highly preferable that Hong Kong should start thinking of how to attract such kind of companies to list here. Depending on the requirements for listing and size of potential investors, the New Board may have a positive impact on Hong Kong's ability to attract additional New Economy issuers to our 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.

If less stringent requirements are going to be imposed on the targeted companies, we are of the view that they should be segregated onto a New Board, so as to maintain the existing integrity of the Main Board and GEM.

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.

Given the proposed structure of New Board PRO and New Board Premium, we suggest to have the New Board Premium introduced first. If companies that do not meet basic financial or track record criteria are allowed to be listed (i.e. the New Board PRO), it is suitable that it is only open to professional/institutional investors as these companies are at high risk and the general public may not be able to understand the risks behind for investing in this kind of companies. However, without the public or an appropriate sector of the public investing, it might be inconsistent with the true concept of a listed company. The New Board PRO could provide a platform for start-up companies and institutional investors to "pair up". If it is for this main purpose, the suggested creation of the Private Market would likely serve the purpose.

The New Board may be specifically restricted to particular industries of the New Economy to give it a clearer delineation from the existing boards.

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 Main Board would be for the prominent and well-established companies with the commensurate requirements for listing. With lower listing requirements, GEM would be focusing on the medium-sized companies with good potential to grow. The New Board would be for those which have sound financial position but with non-standard governance structures (albeit with adequate regulatory safeguards).

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.

As mentioned above, we do not suggest to have the New Board PRO at this stage. If through the Private Market, the companies could eventually apply for listing on Main Board/GEM/New Board based on established criteria.

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.

As mentioned above, we do not suggest to introduce the New Board PRO as proposed at this stage. We agree with the proposed financial and track record requirements for New Board Premium as they are basically the same as those of the Main 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.

As mentioned above, we do not suggest to introduce the New Board PRO as proposed at this stage.

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.

As mentioned above, we do not suggest to introduce the New Board PRO as proposed at this stage.

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.

Companies listed on a Recognised US Exchange that apply to list on the New Board can be exempted from the requirement to demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong provided that certain basic safeguards are in place (such as core requirements enshrined in the joint policy statement regarding the listing of overseas companies issued by the SFC and HKEX on 27 September 2013). Companies listed elsewhere should also be similarly exempted so long as they maintain and make full and frank disclosure of their shareholder protection policy up to similar standards.

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.

As mentioned above, we do not suggest to introduce the New Board PRO at this stage.

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.

As suggested above, we do not suggest to introduce New Board PRO at this stage whether restricted to professional investors only or not.

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.

As mentioned above, we do not suggest to introduce the New Board PRO at this stage.

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.

As mentioned above, we do not suggest to introduce the New Board PRO at this stage.

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.

As mentioned above, we do not suggest to introduce the New Board PRO at this stage. Apart from the existing role of the Listing Committee, in respect of the New Board Premium, the Listing Committee should also assess whether the protection to shareholders is adequate given that the company may have a non-standard governance structure. The Listing Committee should also ensure that the company has made full and frank disclosure of its shareholder protection measures.

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.

As mentioned above, we do not suggest to introduce the New Board PRO at this stage.

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 are of the view that the New Board should be subject to the same standard of continuous listing obligations so as to maintain market integrity and consistency of the HKEX benchmark.

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.

As mentioned above, we do not suggest to introduce the New Board PRO at this stage. We agree to take both a disclosure-based and basic scrutiny approach (as for the existing regime) for the New Board Premium to maintain market integrity and consistency of the HKEX benchmark.

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.

The Exchange should impose additional safeguards, such as requiring listing applicants to set a limit to directors' and senior management's remuneration per year and to have supervision by INEDs / independent shareholders over specific governance matters. Depending on the circumstances of each case and the relevant WVR structure, the Exchange may impose restrictions on the types of persons (e.g. directors and senior management) that can hold WVR, restrictions on the transfer of WVR to other persons, restrictions on voting on certain matters by the WVR, and dividing the voting of WVR and non-WVR into two groups and requiring majority voting in both groups for important matters.

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.

Even if companies with unconventional governance features have a good compliance record as listed companies on NYSE and NASDAQ, they should not only be listed on "disclosure only" regime and should be subject to basic scrutiny so as to offer basic protection to the public investors. This also applies to the companies listed elsewhere.

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 that the existing suspension and delisting mechanism should also apply on the New Board. In addition, given the non-standard governance structure, the Exchange may consider to reserve the power to impose further conditions for suspension and delisting if there are deviations from the disclosed governance structure.

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.

It may be better not to introduce quantitative performance criteria (as opposed to shareholder protection safeguards). Quantitative performance criteria could be difficult to set out objectively to fit into diverse circumstances and, on balance, it may be better to maintain a simpler regime.

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.

No, if a "lighter touch" enforcement regime is being applied, there may be risk that some companies would intentionally use a non-standard governance structure so as to evade the stringent enforcement regime. And once a company is listed, it should be accountable to the investing public as a whole and the Exchange should apply the same standard of supervision on all listed companies.

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