

STRICTLY PRIVATE AND CONFIDENTIAL

17 August 2017

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Re: New Board Concept Paper

After thorough study of the New Board Concept Paper, SHINEWING (HK) CPA Limited ("SHINEWING") is pleased to respond to your consultation paper and our detailed comments on it are set out in the questionnaire attached to this letter.

Attraction to New Economy Companies

With the impressive growth of new economy across the globe, we support the initiative of setting up a New Board to attract more diversified companies and emerging New Economy companies to list in Hong Kong and hence enhance the competitiveness of the Hong Kong capital market. The proposal would be a good starting point to examine how we should better respond to the changing business models of companies, such as technology, fintech and start-ups. Technology and new economy firms with dual-class share structure can have an access to our market after the launch of New Board, with a specific set of rules, disclosure requirements and approval process.

Quality Assurance of the New Board

We believe that it is vitally important to ensure the quality of listing issuers and protect the investors' interests while we are embarking upon an initiative to attract more listings in Hong Kong. Therefore, we agree that mandatory safeguards for companies that list on the New Board with a WVR structure should be imposed in addition to the disclosure requirement. Quantitative performance criteria are also necessary to maintain a listing, as it helps to eliminate those companies with poor performance and prevent them from becoming shell companies. Furthermore, we support using the sponsor regime to perform due diligence and ensure the quality of New Board PRO companies. For the "lighter touch" suitability assessment for new applicants to New Board PRO, it would be necessary to have an in-depth analysis of whether it would bring any impact on the overall quality of listed companies.

Clear Positioning

Last but not least, we generally agree with the proposed roles of GEM and the Main Board in the context of the proposed overall listing framework for established economy companies. However, we believe that there should be a clear-cut difference of positioning between the GEM and the New Board so that each board under the proposed overall listing framework could maintain the attractiveness for different investors and issuers.

Should you have any questions on the above comments, please do not hesitate to contact Andy Wong, Partner and IPO Leader, at [REDACTED]

Yours faithfully,

[REDACTED]

SHINEWING (HK) CPA Limited

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.

We agree that Hong Kong needs to seek to attract more diversified companies to list to enhance the competitiveness of the Hong Kong capital market. We also agree that the New Board serves as an initiative to attract additional New Economy issuers to our market. The proposal would be a good starting point to examine how we should better respond to the changing business models of companies, such as technology, fintech and start-ups.

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.

The targeted companies should be segregated onto a New Board, as this can allow "dual-shareholding" companies to list in Hong Kong with a specific set of rules and disclosure and approval process.

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 to segment the New Board into different segments according to the characteristics described in this paper. However, it should not be specifically restricted to particular industries. It could instead be considered individually based on the facts and circumstances of the listing applicants.

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 generally agree with the proposed roles of GEM and the Main Board in the context of the proposed overall listing framework for established economy companies. However, we believe that there should be a clear-cut difference of positioning between the GEM and the New Board so that each board under the proposed overall listing framework could maintain the attractiveness for different investors and issuers.

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 appropriate criteria for moving from New Board PRO to other boards would help to ensure the quality of listing applicants and better protection for investors.

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.

The proposed financial and track record requirements are set to attract more companies to go listed in Hong Kong. However, it might be necessary to review whether the "lighter touch" suitability assessment for new applicants to New Board PRO would bring any impact on the overall quality of listed companies.

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 have no objection that the Exchange should reserve the ultimate right to make the listing decision for any applicant. However, we should also consider if appropriate guidance and flexibility of the selection of the Board have been provided to applicants.

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.

No comments.

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 generally agree to exempt the companies listed on the US Exchange and elsewhere from the said requirement as it offers same shareholder protection.

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.

It would be necessary to have an in-depth analysis of whether the "lighter touch" suitability assessment for new applicants to New Board PRO would bring any impact on the overall quality of listed companies.

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.

The restriction on investor eligibility for the New Board PRO might limit the liquidity but new economy companies without a track record of business operations or profitability are likely to involve higher risks. Accordingly, we agree that it would be better to open to professional investors only. For the criteria to define a professional investor, we concur that we should use the current definition under the Securities and Futures Rules (Part 1, Schedule 1).

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.

No comments.

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.

Sponsor regime should be used to perform due diligence and ensure the quality of New Board PRO companies.

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.

We have no objection to the proposed role of the Listing Committee. The listing applications for the New Board PRO are proposed to be approved by the Listing Department while the listing applications for the New Board PREMIUM would be approved by the Listing Committee, which is in line with the Main Board practice.

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.

Although only professional investors could invest in the companies of New Board PRO, we should still have to consider whether the Listing Document is sufficient enough to provide accurate information and ensure an appropriate level of disclosure and transparency.

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.

The proposed continuous listing obligations should be stricter for New Board PRO in terms of internal control and corporate governance.

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.

We agree to adopt a disclosure-based approach, and this approach should be applied to both segments of the New Board. A disclosure-based approach could be a possible option to regulate the companies that list on the New Board with a WVR structure and to protect investors.

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 agree that mandatory safeguards for companies that list on the New Board with a WVR structure should be imposed in addition to the disclosure requirement. Possible safeguards include the limitation of the types of persons who can hold WVR. We also agree that the same safeguards should apply to both segments of the New Board.

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.

The good compliance record of the companies listed on NYSE and NASDAQ is a must as US has a robust regulatory regime and stringent laws and measures. But SEHK should set our own requirements and rules to review the listing applications of these companies so as to ensure that they are also in line with our Hong Kong governance practice. We also agree that companies listed elsewhere should be similarly exempted.

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

Please give reasons for your views.

More clear-cut rules must be implemented. We propose to cancel the listing of a company listed on the New Board PRO if it had been suspended for a continuous period of half year instead of 90 calendar days. For New Board PREMIUM, the period shall be extended from a continuous period of 6 months to a year.

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 generally agree that quantitative performance criteria are necessary to maintain a listing, otherwise it would be difficult to objectively measure the performance of the companies. This could also help to eliminate those companies with poor performance and prevent them from becoming shell companies. To ensure overall market quality, 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.

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.

The "lighter touch" enforcement regime should be better discussed as we should always ensure that we have the appropriate enforcement in place to maintain the overall quality of listed companies and to keep Hong Kong as a competitive stock exchange market.

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