



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

By hand

18 August 2017

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

Our ref: CKC/evw

Dear Sir

Re: New Board Concept Paper

We are writing to provide our views on the captioned Concept Paper.

We have laid out our views and responses to various questions in the original order of the questionnaire as requested.

We are pleased to elaborate or discuss further on any of our responses should you find it necessary.

Thank you for your kind attention.

Yours faithfully

CHAN, CLEMENT KAM WING
Managing Director
BDO Limited
Encl.

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.

Please refer to Annex 1.

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.

Given the issuers on the New Board could enjoy relaxation of listing requirements in form of possibility of issuing shares carrying unequal voting rights and /or having non-standard governance provisions we agree the targeted companies of this initiative should be segregated onto a New Board rather than being included on the Main Board or GEM. Through this arrangement the market would have a clearer concept of the roles played by the different Boards. In addition the indexes of different boards would become more meaningful and representative of the distinct industry types that they are intended for.

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.

Please refer to Annex 1.

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.

GEM will continue to be the board where quality small to medium sized enterprises will seek to list on.

Main Board will remain as the board where companies with proven track record and profitable results will seek to list on.

New Board PREMIUM will be the board where companies belonging to New Economy Industries will seek to list on. However we would like to reiterate that we only support the concept of New Board PREMIUM.

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 do not support the suggestion of a New Board PRO because of the reason given in Q3 above. However should a New Board PRO be established as suggested on the paper we strongly support the imposition of public offer requirements on issuers migrating to other boards as it represents a major step up on their listing status and it also opens up a much wider investors market through such migration. Besides it will be fairer to other issuers as they are all subject to the same disclosure requirements.

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 support the proposed admission criteria, financial and track record requirements as suggested for the New Board PREMIUM in the paper. However we do not support those of New Board PRO because of the reasons given in Q3 above.

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 do not support the notion of New Board PRO in the first place. However in case of New Board PREMIUM we believe only companies belonging to the carefully defined group as determined by the Stock Exchange of Hong Kong from time to time will be eligible to list thereon. The eligibility will depend on the type of companies or industries that the Exchange wants to attract from time to time. The gate keeping is important as listing on this New Board could come with relaxation on the listing requirements of equal voting rights of all shares and standard governance provisions.

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 do not support the notion of New Board PRO because of the reason given in Q3 above. In case of New Board PREMIUM we support the suggestion that it would follow the Main Board open market requirements in force from time to time.

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.

Given the US robust regulatory environment and the strict private enforcement mechanism we support the suggestion of exempting companies that are already listed on a Recognised US Exchange the need to demonstrate that they are subject to equivalent shareholders protection as those in Hong Kong if they apply to list on the New Board. We suggest this exemption could start with US listed companies first and based on the experience the SEHK could consider to extend this exemption to other jurisdiction when and if it sees fit.

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 do not support the notion of New Board PRO because of the reason given in Q3 above.

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 do not support the notion of New Board PRO nor the idea of segmenting the market by investors type. Please refer to our response given in Question 3 above.

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.

We do not support the notion of New Board PRO because of the reason given in Q3 above.

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 do not support the notion of New Board PRO because of the reason given in Q3 above.

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 do not support the notion of New Board PRO because of the reason given in Q3 above.

As for the New Board PREMIUM, the proposed role of the Listing Committee is in line with that of the Main Board listing process. This mechanism has worked for years and proven to be effective and well supported. Accordingly, we support the suggested model for the New Board PREMIUM.

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.

We do not support the notion of New Board PRO because of the reason given in Q3 above.

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 for the New Board are principally in line with those of Main and GEM boards, which are proven to be effective over the years. Accordingly, we support the suggestion for the case of New Board PREMIUM.

We do not support the notion of New Board PRO because of the reason given in Question 3 above.

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.

Please refer to Annex 1.

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.

Please refer to Annex 1.

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.

Please refer to Annex 1.

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

Please give reasons for your views.

Please refer to Annex 1.

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.

Similar to our response to Question 20, we support to extend the existing suspension and delisting mechanism for the Main and GEM boards to the New Board PREMIUM for consistency basis.

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.

Given the Exchange will allow companies with unconventional governance features to list on the New Board we believe it is not appropriate for an even "lighter touch" enforcement as suggested.

- End -

Annex 1

Questionnaire on the New Board Proposal

Q1

We agree that there is a need for Hong Kong to seek to attract the so called “New Economy Industries” to list here so that a more diverse range of companies is being offered in our market. We also agree that the proposed New Board would have a positive effect on Hong Kong’s ability to attract the “New Economy Industries” companies as the proposed New Board would demand a lower threshold of eligibility as compared with our present boards in the likes of allowing shareholders in holding shares carrying unequal voting rights and non-standard governance features.

As the proposal represents a relaxation on our existing listing requirements we believe there is also a need to have a clear definition of “New Economy Industries” so that we know for sure the relaxation applies only to those companies/industries that we want to attract through the New Board in the long run.

Q3

We support the suggestion of the Concept paper to have a New Board primarily to attract companies of the “New Economy Industries” but we have reservation on the concept of having a segmented New Board PRO as we simply do not support the idea of allowing companies of early or start up stage to list and attract investment in our established equity market. We believe companies without proven track record and sustainable business model should go to private equities, angel funds or venture capitalists to raise finance as they are the specialized appropriate professional investor groups focusing on these types of early opportunities that carry a much greater risk profile than those of established operations.

We support the suggestion in the paper that the New Board should be restricted to particular industries if it allows issuers to be exempted from the normal Hong Kong listing eligibility requirements of standard governance provisions and equal voting rights of all shares. The targeted industries should be restricted to those “New Economy Industries” that our market wants to attract.

We do not support the notion of creating a New Board PRO because we are not convinced by the argument of restricting the investors in the proposed New Board PRO will appropriately deal with potential issues that may be brought by allowing untested

new start up companies to list in the Hong Kong Stock market. Besides, in our view the present SFC's benchmark in defining an individual professional investor is not an appropriate basis to measure their investment skill and competency so as to determine whether they could access to this suggested New Board PRO. We are concerned with the potential high failing rates of the New Board PRO based on the present suggested criteria. On the balance of losing the opportunity in attracting unproven companies of New Economy Industries to list in Hong Kong and the risk of compromising the hard earned reputation of quality for the Hong Kong listed companies and Hong Kong Stock Exchange in general we come to our conclusion in not supporting the suggested New Board PRO.

Q17

We support the suggestion of requiring companies that are listed on the New Board with a WVR structure to disclose fully on the WVR arrangement as a minimum. In fact we encourage the Exchange to consider further safeguards as set out in our response to Question 18.

Q18

We believe the Exchange should impose mandatory safeguards for companies that list on the New Board with a WVR structure. Examples of the safeguards are restrictions on the types of persons that can hold WVR and the minimum equity that they must hold in the company on an ongoing basis. We only support the notion of creating a New Board in form of the suggested New Board PREMIUM and we do not support the notion of the New Board PRO.

Q19

We believe SEHK could allow companies with unconventional governance features to list on the New Board PREMIUM if they have a good compliance needed as listed companies on NYSE and NASDAQ and providing they belong to the "new Economy Industries" that the Exchange wants to attract to this New Board.

In case of the suggested New Board PRO, we do not support it as detailed in Question 3 above.

We believe that Exchange could start with US listed companies first and based on experience could consider whether to extend it to other jurisdictions.

Q20

As detailed in our reply to Question 3, we do not support the proposal for the New Board PRO segment.

For companies listed on the New Board PREMIUM, it is proposed that the listing will be cancelled for a continuous suspension period of 180 calendar days.

We consider that currently the suspension and delisting mechanism for the Main and GEM board listed companies has worked for years and proven to be effective and well supported. Accordingly, we support to extend the existing suspension and delisting mechanism for Main and GEM board listed companies to the New Board PREMIUM for consistency. This allows all the investors to be under the same protection no matter they trade on the Main Board, GEM Board or the New Board PREMIUM.