

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, I agreed. Unless we adopt a disclosure based regime in Hong Kong, our existing regulations will not be able to keep up with the ever evolving economy and the diverse range of companies that are already here and will appear in the future. Changes are necessary for Hong Kong if we are to maintain our competitiveness as an IPO venue. The New Board, if structured correctly, will 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.

It would be preferable if the targeted companies could be included in the Main Board by augmenting the existing structure. On the other hand, creating a New Board may by itself remind investors that they are trading in New Economy instruments which are non-traditional in nature.

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 should look to the long term and cater to the ever changing economy in the future. Therefore, we should minimize restrictions and maximize flexibilities. Investors can invest in the traditional market or the New Economy market which has a different set of rules, prospects and risks. To create a New Board with too many segments restrictions would in itself be countering the concept of new and changing economies. On the other hand, rules to help protect investors from abusive issuers are also necessary to be in place.

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.

Under the proposal, the Main Board will remain unchanged but the Exchange will achieve significant reduction in GEM IPO applications.

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.

Yes, there should be no fast tracking.

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.

Agreed.

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.

Yes, this should help ensure that only pre-profit companies with high growth potential or New Economy companies can apply to list on the New Board

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.

Agreed with the proposal in order to maintain adequate 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.

Companies listed on any Recognized exchanges should be exempted. Investors today can invest in those shares at any time in the overseas markets and without the "protection" of our Hong Kong rules. By imposing our own rules and making it difficult for issuers to have a secondary listing in Hong Kong does not prevent Hong Kong investors to invest directly in those overseas markets in any event which is subject to the local rules and regulation. Enhancement in investor's education should be considered.

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.

Agreed. We should retain the right to deny listing that makes the listing of the applicant inadvisable or unwarranted in the opinion of SEHK such as illegal and immoral businesses.

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.

Agreed that it should be restricted to Professional Investors (PI) only; however, the definition should be well defined and should include experience and knowledge. Current PI regime is more for the protection of the intermediaries and regulators rather than for the PI themselves. We should consider a regime where PI should be properly qualified by a testing procedure and be given a PI ID.

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.

If a Professional Investor (PI) has a unique PI ID, then it would help market participants in identifying and permitting the PI to invest in the New Board Pro.

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.

It would be appropriate provided that the Professional Investors (PI) are properly qualified as stated earlier. Currently, investors who have sufficient new worth are required to admit to be a PI before they are allowed to invest. In reality, high net worth individuals are not necessary professional investors. If we are to have less onerous standards for this segment, then we should ensure that a PI is in fact really a qualified PI.

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.

The Listing Committee (LC) plays an important check and balance role in the application process. However, the member composition of the Listing committee may require diversification of knowledgeable individuals who are familiar with the New Economy.

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.

Given the professionals-only nature of New Board PRO and if PI are really qualified, then moving towards a more disclosure based regime that provide accurate information sufficient to enable professional investors to make an informed investment decision, rather than a Prospectus would be appropriate.

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 standards for continuous listing obligations should be the same as they are basic requirements of good company 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.

A disclosure-based approach is the direction moving forward. We cannot be changing our rules continuously and creating more and more new boards as the world's economy continue to change over time.

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.

In the event that safeguards rule are to be put into place, then I believe that the WVR should be reversed to normal voting rights should the shareholder(s) having the WVR dies or becomes incapacitated to contribute to the company. Minority shareholders representation should also be strongly represented on the company's 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.

Yes, agreed on both counts. However, we need to invest much more in investors education under the disclosure-based approach.

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

Please give reasons for your views.

Strongly disagree on the proposal that SEHK would immediately cancel the listing of a company listed on the New Board PRO if it had been suspended for a continuous period of pre-determined calendar days. Delisting should never be used as a tool for the regulators to punish the culprit. If management or majority shareholders are not fulfilling the listing requirements, then they should be penalized. The minority shareholders who are already a victim will have no chance of recovery once delisted.

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.

No. In general, we have to believe that management of listed companies are there to create value for their shareholders in the long term. However, business environment changes from time to time including but not limited to political and regulatory changes which could affect a company's performance beyond management's control. These changes would create volatility with undefinable time frame. These are the inherent risks of any business. Investors should be aware of these risks. We should not unnecessarily constrain ourselves with inflexible rules which may deprive these companies opportunities to overcome their difficulties.

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.

It would otherwise defeat the purpose of the New Boards.

- End -

