

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.

I believe that it is a strategic imperative for Hong Kong to attract more new economy companies to list. I agree that the new board would enhance the ability to attract more new economy issuers by creating a segment only open to institutional investors thereby allowing for a lighter touch approach on the listing requirements.

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.

For the institution-only segment (new board pro) to work, it would require a new board rather than being part 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.

I think the proposed strawman of two segments (new board pro and new board premium) makes sense. You may want to evaluate whether the minimum market cap of HK\$200m is sufficiently high (if the main board threshold is raised to HK\$500m) - I believe that there is a case for it to be higher to merit institutional investors' attention.

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's role is more straightforward while GEM's role needs to be more distinct and more differentiated from that of the new board.

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.

I agree with the no fast track proposal in the paper and believe that a public offer requirement should be imposed. It puts the new board listed company on equal footing as those main board candidates that are not new board listed.

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 respective proposed admission criteria make sense for new board PRO and new board Premium.

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.

I think that the Exchange should reserve such right to ensure the consistency and coherence in types of companies represented on the different boards.

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.

These minimum requirements are good, and I suggest the Exchange further consider some type of ongoing share price or other performance test to ensure quality and liquidity the companies listed on new board PRO.

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.

I don't think that there should be an exemption. As foreign exchanges' requirements may change from time to time, "no exemption" enables better control by the Exchange on the application of shareholder protection 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.

The lighter touch approach proposed in paragraph 140 makes sense in light of the investor profile for new board PRO.

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.

Yes, I think the new board PRO should be for professional investors only. The bar for professional investors should be sufficiently high: institutional investors of a minimum asset under management threshold, and ultra high net worth investors who also meet a "financially knowledgeable" threshold.

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.

This is the primary reason behind 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.

The proposal for a financial advisor sounds fine. Given the earlier comment on being strict with the eligibility of new board PRO participants I do not believe that more prescriptive requirements will be necessary.

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 proposal sounds good. With the lighter touch approach there still needs to be a vetting and approval system.

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 requires some thoughts what should be contained in the listing document to provide sufficient info, disclosure and representation to new board PRO investors.

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.

Given the higher failure rate with early stage new economy companies than the typical candidates for the main board, I think that it may make sense for the Exchange to impose some type of share price or financial performance test on an ongoing basis post-listing to ensure that new board PRO does not have a large number of zombie companies.

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.

I think a combination of disclosure-based approach and some type of safeguard (e.g. company board level requirement) would make sense, and should apply to both segments.

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 see above. The safeguard measures I suggest would be more related to board governance enhancement to mitigate the risk to outside shareholders.

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, however only when combined with some safeguard measure requirement mentioned above.

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

Please give reasons for your views.

The proposed approach makes sense. One consideration is that given the higher failure rate of early stage companies (compared with the more mature main board candidates), there is more onus on these companies to prove on an ongoing basis that they continue to qualify to be a listed company. If their performance deteriorates to a degree and do not rebound within a period, delisting may be necessary to maintain the overall quality of the new board company pool.

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.

Yes, please see my answer above. Some type of performance test (e.g. on revenue or on share price) will make sense.

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.

Even professional investors need to have their proper protection.

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