

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.

The question is misspecified. Without a definition of 'New Economy industries' this can't be answered. Hong Kong already has many companies listed whose business model could be considered 'New' i.e. Tencent, Netdragon and Meitu. We therefore don't know what companies are being referred to when referring to '..a more diverse range of companies..'. On the second part of the question by definition a New Board would increase the number of listed companies if eligibility criteria are lowered so of course it would have a '..positive impact..' but we do not believe this would be a desirable outcome.

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.

Refer above. If we don't know what the companies are or what their common characteristics are this is again a misspecified question. However, no, we do not believe in segregating any new listings to any type of New Board.

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.

The idea is unworkable. It will not be possible to only allow 'professional' investors (a definition we are inherently uncomfortable with anyhow) access to a New Board. As to the second part of the question again this is an unworkable idea because of the problem of defining 'industries'.

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 is a failure and was promulgated for many of the same reasons put forward for a Third Board today. A single board, with clear eligibility criteria is the best solution for the development of the Hong Kong stock market.

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.

Jumping between boards has an established precedent with GEM transfers to the Main Board. The same mechanism could be employed.

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 do not support any proposal that involves a relaxation of existing listing eligibility criteria.

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.

Companies should be free to choose where to list. If a proliferation of Boards is allowed companies cannot then be corralled by the Exchange.

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 proposed rules can easily be 'jockeyed' and so should not be considered. It is impossible to mandate liquidity. To attempt to do this will surely result in failure.

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.

Why limit to a 'Recognised US Exchange'? No, companies should not be allowed to list in Hong Kong that have prejudicial-to-shareholder control structures that are different from the existing requirements, irrespective of their domicile.

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 in no way support any relaxation of existing listing eligibility criteria.

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 existing definition of 'professional investor' is highly unsatisfactory. If the regime and definition of professional investor was to be changed a licensing system based on public exams or some other test of financial literacy should be considered.

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.

The suggestion is unworkable. Any such mechanism would represent a significant impediment to the orderly functioning of a market and would thus have serious implications for price discovery.

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.

For the purpose of 'gamekeeping' it doesn't matter what you call the entity tasked with the job. What matters is the task you're giving the entity which is not set out clearly in the proposal.

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 should approve ALL new listings, that is its most important function. If the authority is delegated then the system would be de facto out of control.

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.

Current listing documents are the product of years of trial and error, hard work and represent a gold-standard (albeit a flawed but constantly evolving one) for information for investors. No change to the existing disclosure requirements should be allowed.

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.

No. One board, one set of rules for all. This is the most efficient and transparent method of operation and we see no reason to contemplate undermining it.

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 do not support the admission to listing of ANY companies with control structures that are more prejudicial to minority investors than those currently allowed.

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 best safeguard for investors is to not allow a New Board. See also above. One size should be allowed to fit all in terms of rules and regulation.

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.

No. Additionally, ‘..good compliance record..’ would be defined by whom? Again, why are only NYSE and NASDAQ initially proposed? No, companies from other jurisdictions should also not be exempted.

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

Please give reasons for your views.

We believe one set of rules, as stated above, should apply to ALL companies listed in Hong Kong. We therefore do not support the suspensin and delisting proposals for the New Board.

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. Please see response to #20, above.

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.

We regard the the proposal for a New Board as a mechanism to relax existing listing criteria. We do not and will not support any proposal that leads to this outcome.

- End -

