Dear Members,

The regulators' strive to expeditiously remove companies perceived by them as unsuitable for listing continues. Following the introduction of the accelerated delisting process which subject companies that have been suspended for 18 months to delisting procedures and the proposed new rules to effectively prohibit back door listing, the Stock Exchange of Hong Kong (the "Exchange") has launched two more consultations to the same effects. The first one is to reduce the listing appeal process from the current two-level to one. If this process is adopted, companies that are ruled unsuitable for an IPO or whose existing listing status is to be cancelled would only have one chance of appeal. The second consultation proposes that listed issuers that receive disclaimer or adverse audit opinion on their financial accounts from their auditors will go into suspension. And under the newly amended rules, after 18 months of suspension, these companies will face delisting procedures.

Apparently, the Securities and Futures Commission ("SFC") and the Exchange are tightening the reins from all directions and are resolute to eliminate what they see as unqualified companies. While no one can dispute such objective, the question is whether the measures would balance the interests of all parties concerned. It is apparent that the SFC and the Exchange desire that any problematic issuers should be cleaned up as soon as possible, failing which within a reasonable period, they should be subject to delisting procedures. However, the interests of the minority shareholders who hold shares in these companies should be considered. Once a company is delisted and become private, the shares will lose their liquidity and it is very hard for minority shareholders to salvage the value of their investments. The Exchange should be mindful of the impact on minority shareholders when pushing through these rule changes. On the other hand, the management of each of these companies has the fiduciary duty to act expeditiously to be re-compliant with the Listing Rules and address any shortfall without any unnecessary delay.

Meanwhile, the SFC has also stepped up its enforcement actions primarily targeting corporate frauds that are designed to deceive investors, such as suspicious fund raising, round robin transactions, customer or sales falsification. The SFC proclaims that it is targeting to take legal proceedings against approximately 60 companies and individuals by the first half of 2019. It will also vigorously pursue individual responsible directors, seeking to have them removed or banned. We are always in support of these targeted enforcement actions and believe they have strong deterring effects. We consider that this approach is better than imposing harsh and onerous rules across the board that would indiscriminately penalise companies which might have run into troubles temporarily but harbour no ill intentions, and unnecessarily victimise their minority shareholders.

Yours sincerely,

Francis Leung Pak To
Chairman

各位會員：

監管機構繼續雷厲風行地將其視為不適合上市的公司除牌。繼加快除牌程序將停牌滿18個月的公司除牌，以及建議新規則以變相禁止借殼上市後，香港聯合交易所（「聯交所」）再發表兩份具同樣效果的諮詢文件。第一份諮詢文件建議將上市上訴架構由現行的兩層架構減至一層。如這個架構獲採納，被裁定不適合作首次公開招股的公司或現有上市地位被取消的公司將只有一次上訴機會。第二份諮詢文件建議規定上市發行人如遭核數師對其財務報表發出不表示意見聲明或否定意見，則必須停牌。而根據新近修改的規則，在停牌滿18個月後，這些公司將面臨除牌。

顯然，證券及期貨事務監察委員會（「證監會」）及聯交所正從各方面收緊監管，決心將其認為不合資格上市的公司除牌。這樣的目的無可爭議，但問題是其手段能否平衡有關各方利益。證監會及聯交所明顯希望，任何有問題的發行人應盡快整頓問題，如在合理期限內無法更正的公司則應進入除牌程序。然而，當局亦應顧及持有這些公司股份的小股東的權益。一旦上市公司遭到除牌變為私人公司，其股份將失去流通性，小股東亦將難以取回所投資的價值。在通過這些規則修訂的同時，聯交所應謹慎考慮對小股東的影響。另一方面，每家公司的管理層均有受信責任，他們應迅速作出行動以重新符合上市規則，並在沒有不必要的延誤下彌補公司不足。

與此同時，證監會亦加強執法工作，主要打擊企圖欺騙投資者的企業欺詐行為，例如可疑集資、循環交易、偽造客戶或銷售等。證監會表示目標是2019年上半年前向60家企業或個人採取法律行動。證監會亦將致力追查個別負責董事，以求罷免或禁止其職務。我們一向支持這類有針對性的執法行動，亦相信這類行動會起有力的阻嚇作用。我們認為這種做法比全面實施嚴苛及繁瑣的規則較為優勝，後者只會無差別地讓一些暫時出現問題但並無不良意圖的公司受到懲罰，亦會不必要地讓其小股東蒙受損失。

誠致謝意。

梁伯韜
主席