But first of all, I want to talk about the new regulatory approach taken by the SFC starting two years ago to tackle some persistent problems in our markets, especially market misconduct and suspicious corporate transactions.

Placing of new shares at a substantial discount

We had one case where a listed company proposed to place new shares to a small group of investors at a substantial discount. This would transfer control from the existing controlling shareholder to the new investors. Even more suspiciously, some of the investors may have

In this and other cases, such as Far East Holdings and Hanergy Thin Film, we went after senior executives and non-executive directors and held them accountable for their wrongdoing.

These enforcement actions are necessary, but are they the best way to prevent misconduct? To my mind, the very best way is stronger corporate governance on the part of companies in Hong Kong. Too often NEDs and INEDs are over-reliant on executive directors or management without understanding the importance of their role in establishing and maintaining a sound corporate governance framework.

A step in the right direction to raise overall governance standards was the Stock Exchange's recent proposed changes to its Corporate Governance Code. The new measures cover the transparency and accountability of the board, independence of INEDs, over-boarding and board diversity, and will take effect in 2019.

Backdoor listings and shell activities

The next topic I would like to touch on has drawn considerable interest over the years.

This is the huge demand for shell companies for backdoor listings and the significant increase in the value of shells.

The problem with backdoor listings is that they circumvent the normal listing requirements. Assets are injected into a listed company without the proper due diligence normally undertaken by IPO sponsors, and with very limited disclosure of the new business.

This raises doubts about whether there is a fair and orderly market.

One may argue that such activities are limited to a small segment of the market. Nevertheless, they could lead to market manipulation, insider trading and excessive volatility, to name but a few, resulting in substantial harm to our markets and investors.

To deal with these issues, we have been working closely with the Exchange over the past few years. The resulting consultation on backdoor listing and continuing listing criteria which ended last month is the fruit of these efforts.

In short, it is proposed that the reverse takeover rules and continuing listing criteria be tightened to prevent backdoor listings, particularly those involving shell companies.

This involves tightening the existing principle-based test by including change in control or de facto control and also extending the bright line test for a series of transactions from two years to three years.

In assessing whether there is a change in de facto control, the following will be taken into account:

- any substantial change in its board of directors and key management
- any change in its single largest substantial shareholder
- any issue of restricted convertible securities

As you can see from the press release we issued on the same day the consultation was launched, the SFC is highly supportive of these proposals. They are a key part of broader efforts to address problematic corporate and market conduct in the regulation of listed companies.

So we will certainly keep a close watch where these issues are concerned. Where intervention is justified, we will not hesitate to employ our front-loaded approach to combat listed company misconduct and other serious issues.

Weighted Voting Rights and biotech companies

Another topic which should be of interest to all of you is the new listing regime which allows listings of pre-