

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.

We agree that Hong Kong needs to attract a more diverse range of companies for listing in Hong Kong. Hong Kong has high dependency on Mainland issuers and high sector concentration in financial and property issuers with low growth. To remain competitive in international stock markets and strive for high growth, it is necessary to launch a New Board. New Economy industries refer to high technology businesses with funding need for growth and development, therefore the New Board is a good way for fund raising and at the same time, investors can enjoy the economic benefits from investing in them. As shown in figure 3 of the Consultation Paper, New Economy companies represent 60% and 47% of NASDAQ and NYSE respectively while Hong Kong has 3% only, clearly this is an area for strong growth.

The New Board would allow Hong Kong to attract New Economy issuers given Hong Kong has special privilege access to Mainland market. Besides, our robust law and regulatory regime, simple tax system and professional expertise in different areas definitely attract potential issuers from worldwide to list in Hong Kong.

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.

We think the targeted companies should be segregated onto a New Board because the New Board's targets are New Economy companies, some without financial track records and some may have non-standard governance like WVR structure, which are totally different from those of Main Board and GEM. Separate boards allow investors to understand the risks and returns involved in each Board, so that they can make the right decision before investing.

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 agree two segments (New Board PRO and New Board PREMIUM) are appropriate as the former one refers to early stage pre-profit companies and the latter one refers to New Economy companies meeting financial criteria.

We support to the access restriction to professional investors initially but should gradually allow retail investors in through education as the product matures.

Given various stock markets follow "disclosure-based" approach to disclose risks of investing in a company instead of placing restriction in trading and high education level of retail investors compared to the past, once the New Board PRO is mature, we think retail investors are able to make informed decision before investing and they should be allowed to join the New Board PRO.

New Board should not be specifically restricted to particular industries and any industry should be welcomed because as time goes on, some new emerging businesses may come out and this allows Hong Kong to be more competitive in the world market.

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.

We agree with your proposal.

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.

We agree to the proposed criteria that New Board PRO companies need to meet all admission criteria and other listing requirements (e.g. issuing a prospectus) upon migration to another Board. This can ensure that no company can take advantages of low criteria to be listed first in New Board PRO and then migrate to another Board easily without following the standard procedures, and such can protect investors too.

We think the public offer requirement upon migration from New Board PRO to another board is appropriate because such requirement applies to other boards too and this can help to prevent high concentration of shares.

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 have comment about proposed financial and track record requirements on New Board.

For admission criteria, as explained under Question 3, we consider New Board PRO can be opened to retail investors only at a later stage with suitable investor education and when this product/platform becomes more mature.

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.

We do not have any comment.

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.

We do not have any comment.

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.

We think the exemption should not be limited to Recognised US Exchange but extend to all recognised exchanges.

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.

It is good that a "lighter touch" suitability assessment to new applicants to New Board PRO, so that HKEX would be an attractive place for pre-profit companies to be listed. We do not have any comment about the details of relaxation.

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.

Please refer to our comments under Question 3 above.

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.

We do not have any comment.

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.

We agree with your 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.

We agree with your proposal.

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.

We believe professional investors are capable enough to make an informed investment decision based on a Listing Document.

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.

We agree with your proposal.

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.

Various stock markets in the world adopt disclosure-based approach to disclose risks and WVR structure and we consider HKEX should consider a similar approach. This approach should be applied to both segments of the New Board.

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.

We note that a disclosure-based approach is market trend in the world and as long as all risks associated with WVR structure are disclosed, investors should be able to make informed investment decision. In free economy market, it is an investor's call to invest in a company or not and adding mandatory safeguards for companies reduces the attractiveness to new companies to be listed in Hong Kong.

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.

Please refer to our comment under Question 18.

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

Please give reasons for your views.

It is proposed 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 90 calendar days and for a company of New Board PREMIUM, suspended for a continuous of 6 months.

We think the period for the above (90 days or 6 months) is acceptable if there is a mechanism for the companies to seek extension of the period provided that there is valid reason to support for extension. There are various reasons that can contribute to trading suspension (e.g internal control issues, false news in the market, disappearance of directors, SFC/ICAC investigation, insufficient operation.....etc). Very often, sufficient time is required for issuers to rectify the matters or find new investors (white knight) as any discussion or rectification does take time. Currently, MainBoard issuers go through three delisting stages and it always takes years before actual delisting is happened.

Besides, "easy out" may not be appropriate because for a company to be listed, significant fixed costs are incurred and such "easy out" reduces the attractiveness of Hong Kong market for IPO.

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.

It is difficult to set quantitative performance criteria because different industries are subject to different business risks and market environment is outside issuers' control.

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 agree with your proposal.

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