

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 should attract a more diverse range of companies for listing in Hong Kong and we agree that the New Board will have a positive impact on attracting New Economy issuers to Hong Kong. The financial markets in Hong Kong need to cater to the financing requirements of the New Economy and the New Board is a suitable venue to address the need for New Economy businesses to raise financing.

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 agree that New Economy businesses and Technology Companies should be segregated into separate board, e.g. the New Board, as the requirements from the perspective of investors and issuers are different from the traditional businesses and the GEM board (nor indeed the Main Board) is no longer a venue for Tech Companies.

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.

Yes, the New Board should be focused on New Economy or Technology Companies rather than purely financial considerations for GEM or Main Board.

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 GEM board is already a stepping stone to the Main Board and should remain as such, ie there is no sector focus, just a pre-Main board listing venue in terms of financial performance.

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.

A public offer requirement for a transfer from New Board Pro to New Board Premium or GEM/Main Board is fair so long as the company meets the respective board's requirements with the anticipation that the issuer should have grown its business to a more "mature" stage at the time of the transfer and therefore should be expected to have public recognition and interest in the issuer at the time of the transfer.

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 agree with the proposed financial and track record requirements for New Board Pro and New Board Premium. This is in line with the financial performance of the likely candidates in the current market.

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.

No, it should be up to the issuer and the investors to decide as there may be other factors that will influence an issuer in the choice of board, e.g. professional fees and cost, timing and risks related to a listing, investor appetite and whether it has different shareholder rights.

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 believe that the minimum number of investors for New Board Pro should not be 100. We propose a minimum of 50 professional investors. This is similar to the requirements for OTC in the US and the Innovative Level on the New Third Board (NEEQ) in the PRC. We also believe that the minimum market cap should not be HK\$200 million in order not to deter the purposes of having this New Board being to provide an opportunity for different stage of technology startups to choose Hong Kong as the listing venue instead of elsewhere with lower requirements, thus we propose a minimum market cap of HK\$150 million (ie similar to the revised market cap for GEM listing).

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 have no particular views in this respect but believe that for the purposes of shareholders' protection, so long as adequate disclosure is made, there should not be any restriction on what is appropriate shareholder's protection.

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 are supportive of a "lighter touch" for the suitability assessment to new applicants for the New Board Pro as it should not be the duty of a regulator to dictate what business is or is not suitable for listing when it comes to New Economy businesses which are constantly evolving, so long as the issuer makes full disclosure of its business and prospects with the support of a Financial Adviser and the listing is able to fulfill the minimum required number of professional investors to support the listing.

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.

We agree New Board Pro should be restricted to professional investors but propose that only 50 professional investors is required to align with similar boards of other stock exchanges. We believe the current criteria of professional investor is adequate.

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 see why the New Board Pro should be subject to special measures for listing.

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 that a Financial Adviser should be sufficient for New Board Pro as, not only the FA firm will still be held responsible for giving advice with respect to the New Board listing transaction, having a FA regime will effectively reduce the heavy burden of listing costs (as compared to that of current GEM/Main board applicants due to the undersupply of sponsor firms in the market leading to substantial sponsor fees to be borne by issuers without positive correlation to the quality of the companies being listed) particularly in view of technology startups are mostly cost-conscious or otherwise they may not explore for a listing route.

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 that the Listing Committee should be involved for listings under New Board Premium and not required for New Board Pro (as the professional investors will make their own judgement, so long as adequate disclosure is made). This is also in line with similar boards of other stock exchanges whereby disclosure-based regime is adopted.

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 agree, as a Prospectus would incur unnecessary documentation and professional costs for a listing that was only restricted to professional investors anyway. Otherwise it will defeat the purpose not to include retail investors since they are different from PI who are able to make professional investment judgments 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 believe that the same requirements to the extent applicable should apply, in order to minimise the differences during migration to another board.

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 agree with the disclosure-based approach for both segments of the New Board as New Economy businesses require different treatments in terms of WVR and different treatments have already been long adopted by other major stock exchanges in view of the uprising of technology companies.

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 do not believe additional safeguards are necessary given adequate disclosure on the WVR structures have been made.

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.

We agree that unconventional governance features should be allowed for listing. Companies listed on similar boards of the London, Australia and Singapore stock exchanges should also be under consideration for exemption and it is preferable for SEHK to communicate with those exchanges in obtaining a similar status/treatment for HK New Board Companies.

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

Please give reasons for your views.

For shareholder's protection, we agree that a strict suspension and delisting proposal is preferred to ensure only issuers with strong business plans and viability are allowed to remain listed.

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.

We do not agree that there should be quantitative performance criteria after listing as the professional investors should decide for themselves at the time of listing. Additional quantitative requirements will add additional risks for professional investors since they are already well-aware of the risk/return trade-off in such "buyer-beware" market. Most importantly, the quality of today's New Economy companies are in many ways not being assessed by mere quantitative/financial performance, a lot of the technology major players listed in the U.S. are not profit-making pre- or even post-IPO.

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.

It is a platform for professional investors and a lighter approach to the enforcement regime is preferred. Otherwise it will bring unnecessary costs for New Board listed companies.

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