

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.

- 1) Hong Kong needs a more diverse base of listed companies, especially in fields such as new media, life sciences, and software.
- 2) The new board should be positive for Hong Kong and encourage new startups to list, but the quality of investors, market liquidity, and financial media may not be sufficient or sophisticated enough to support the new board.

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.

- 3) The targeted companies should be segregated onto the new board. However, too many different boards in Hong Kong may confuse local and foreign investors. As we believe that institutional investors dominate the Hong Kong stock market, we also worry about whether this group of investors have the mandate and liquidity constraints to participate in the 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.

- 4) We oppose segmenting the new board into different segments as it confuses local and foreign investors and issuers.
- 5) We do not think the new board should be restricted to particular industries because it destroys the very essence of entrepreneurship. Startups are not limited to a narrow view of just technology or life sciences.

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.

- 6) We agree with the existence of the GEM and the main board, but we believe they should relate to each other more closely to reflect why their respective listed companies deserve their listing on their respective boards. We believe there should be a system of promotion and demotion to enable deserving and undeserving companies to move to the appropriate board.

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.

- 7) We believe there must be a public offer requirement so that all investors have the chance to participate. Otherwise, the new board will ultimately be a haven for shell companies that might be controlled by various market participants.

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.

8) Looking solely at the proposed admission criteria for the two boards, they are theoretically acceptable. However, we strongly object to separating them into two boards because this will be overly confusing for local and foreign investors and issuers.

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.

9) We agree that the Exchange should reserve this right.

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.

10) We agree with the proposed requirements for minimum public float and minimum number of investors.

11) We do not think there should be additional measures to ensure sufficient liquidity. After all, there are many companies with low liquidity on the main board and GEM board already. If the Exchange needs to address this situation, it would be better to focus on the main board first.

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.

12) As market participants, we do not believe that the US regulatory system in this particular case is a good standard to aspire to. Hong Kong should set its own standard and not rely on the US. Relying on US regulations will likely leave investors with neither US nor Hong Kong regulatory protection, such as US class action lawsuits not being available to Hong Kong investors.

13) Companies listed elsewhere should likewise not be exempted.

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.

14) We believe that a "lighter touch" suitability assessment could work, if it was paired with an "up or out" system to drive entrepreneurship. If it is made easier to list, then regulatory enforcement of compliance with listing standards should also be stricter.

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.

15) We agree with the SFO definition of professional investors. Due to the small market cap and capital raising amount of the listing candidates for the new board PRO, we question whether professional investors would be interested because there would be a mismatch between their preferred investment amount and the proposed capital raising.

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.

16) If being a professional investor is the requirement for the new board PRO, then Exchange Participants must ensure that investors meet the eligibility criteria.

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.

17) No comment.

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.

18) No comment.

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.

19) As investors, we need sufficient disclosures and information, such as the Prospectus, in order to arrive at an informed investment decision. But due to the cost of creating a Prospectus, we think a shorter version can be acceptable.

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.

20) We do not believe there should be different standards between the segments, otherwise it would lead to confusion. In addition, the existence of too many different standards would likely be challenged by listed companies if they were to be affected.

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.

21) As institutional investors, we agree with the SFC's view that Hong Kong's securities markets, reputation, and the interests of the investing public generally would be harmed if WVR structures became commonplace. WVR structures are opposed by the majority of investors, as shown by the exclusion of Snap Inc from major indexes. Hong Kong risks being a later joiner to a trend that has already been played out.

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.

22) No comment.

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.

23) No comment.

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

Please give reasons for your views.

24) We have no objection to the suspension and delisting proposals.

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.

25) Rather than an assessment just based on pure quantitative performance criteria, we prefer an assessment based on the duration of its listing and whether it makes progress in its entrepreneurial endeavors.

26) Criteria for its assessment should be based more on top-line performance than on profitability.

27) We agree with the proposal for a watchlist.

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.

28) Enforcement of the rules should be the same for all boards, and not particularly favor any specific board. However, the rules can be different for the new board.

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