

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 the new board should be positive for Hong Kong. We have seen multiple instances of new economy stocks from China listing away from Hong Kong exchange and it seems you are trying to tackle this.

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 approve of this as it means that the type of company and voting structure will be very clearly defined.

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.

There will have to be some segregation, same as there is for GEM vs Main Board. The proposed hurdles for inclusion are a good place to start a broader conversation with the market.

We don't see why this would be restricted to a particular industry, who knows what will be the growth sector/industry of the future? Better to do this once and get it right.

With that in mind, the new proposal handle the case of Alibaba's voting structure, please make sure that the rules are flexible enough to allow listing of appropriate companies with other quirks, that would preclude them from the 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 Main board's position, as far as we can tell, doesn't really change, therefore we don't have much to say on this.

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.

This is more a question for a company with Investment banking and syndicate expertise, we are an agency only brokerage.

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.

The hurdles at each board seem like an appropriate place to start. As above, this is more for an organisation with syndicate and investment banking.

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 think this would be appropriate. We have to sell the different companies and boards to investors, having them clearly delineated makes this much easier. It also adds a degree of trust that companies listing are doing so in an appropriate way.

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.

New board PRO will have some companies with very small numbers of shareholders. At that point, having a market maker system is not really applicable. Ideally we'd like to see pre-agreed standards in terms of the % of the free float.

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.

If it is clearly labeled and sold on this basis then we are ok. There is no reason to limit this to US exchange approvals only. Any narrowing of scope that you introduce now will mean that we'll be back looking at this in the medium term. Please don't restrict by geography or currency.

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.

No comment.

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 have limited opinion here given that we are institutional only. We would prefer that there was no limits on who can trade as it only creates administrative hurdle for us to manage. As a firm that prefers free markets we would prefer that HKEx used the concept of Caveat Emptor for all stocks!

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.

This role sits inside your exchange members we do this as part of KYC when we know your guidelines. You tell us what the criteria is and we'll take care from there.

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.

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.

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.

No comment.

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.

No comment

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.

No comment

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.

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.

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.

The automatic delisting after 6 months is too strict. There can be companies that trade and allow investors to extract value after being suspended for this period. This needs to be qualified with some exceptions.

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.

This is for the listing committee at the HKEX to decide.

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.

Limited share holdings and limited information on the companies mean that potential investors need some confidence that the enforcement rules are being applied strictly.

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