

## 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 would have a positive impact on Hong Kong's ability to attract additional New Economy issuers.
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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 with the view of SEHK that the targeted companies should be segregated onto a New Board when the corporate governance structure of these companies could be different from that of the traditional companies.

We also have the following comments:

1. More guidance is needed as to what would and would not fall within the meaning of "New Economy";
2. The definition of "New Economy" should also make room for new types of business that may emerge in the future and that should be encouraged to list on the New Board;
3. Certain listing applicants may have multiple businesses, some but not all of which may fall within the meaning of "New Economy". Guidance should be provided on whether and how such listing applicants should be regarded as "New Economy" issuers; and
4. Given the WVR will be permitted for a New Economy issuer, modifications will need to be introduced to the Codes on Takeovers and Mergers.

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 with the view of SEHK on segmenting the New Board by the types of investors.

For financial eligibility, as New Board PRO is designed for start-up company and pre-profit company, its currently proposed minimum market capitalisation of HK\$200 million appears too high. SEHK may wish to consider lowering the New Board PRO's minimum market capitalisation requirement, say with reference to the threshold set for GEM.

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.

GEM and the Main Board can continue to function as the "conventional boards" with one share one vote structure (OSOV) and track records. The addition of the New Board will help to diversify the overall listing framework.

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 in principle that there is no need to put in place a fast-track migration mechanism from New Board PRO to other boards.

However, there are certain existing Main Board issuers in a "New Economy" sector that are eligible to list on the New Board. These Main Board issuers may have commercial incentive (for instance, New Board issuers may wish to adopt WVR and the valuation of issuers listed on New Board could be higher than those on Main Board) to transfer from the Main Board to the New Board Premium. SEHK should consider its position on whether such transfer is permitted and, if so, how this should be carried out.

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 view of SEHK that no track record is required for issuers on the New Board PRO and that same track record requirements of Main Board issuer should apply to the New Board Premium.

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 agree that SEHK should have the discretion or reserve power to refuse listing application on the ground of eligibility or suitability. However, it would be helpful if SEHK could provide guidance to the market as to under what circumstances would SEHK seek to exercise such discretion or power.

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 agree in principle that a minimum investor number should be set to ensure an open market for Main Board PRO. However, a minimum of 100 investors at the time of listing may be too high for New Board PRO issuers, which only have professional investors.

On the other hand, we consider it appropriate to set the minimum public float requirement at 25%.

Another issue to note is how to enhance liquidity to support trading in New Board PRO. One suggestion that SEHK may consider is to bring in market makers.

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 agree with the view of SEHK in paragraph 139 that (1) New Board PRO applicants will not be required to provide equivalent shareholder protection standards to those of Hong Kong; and (2) New Board Premium applicants will be required to provide shareholder protection standards equivalent to those in Hong Kong.

With respect to New Board PRO applicants only, SEHK may consider extending the exemption from Hong Kong's standard of shareholder protection not only to companies listed on a Recognised US Exchange, but also to companies that are listed in any other jurisdiction that have robust regulatory environment and strict private enforcement mechanisms that could offer sufficient shareholders' protection which is akin to that available in a Recognized US Exchange.

We agree that the restriction on the secondary listing of companies from Greater China should be removed.

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 agree in principle with the view of SEHK in paragraphs 140-141, in particular that more guidance should be given to the market after SEHK had gained more practical experience on the New Board PRO market.

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 that New Board PRO should be restricted to professional investors only because professional investors, in general, are with bigger risk appetite and are able to bear higher investment risks.

SEHK may wish to consider making reference to the existing definition of professional investors in Part 1 of Schedule 1 of SFO, including those prescribed as professional investors under the Securities and Futures (Professional Investor) Rules (Cap. 571D of the Laws of Hong Kong).



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 consider the existing SFC intermediary supervision as sufficient.

We expect that Exchange Participants, as intermediaries licensed by SFC, should take responsibility in ensuring that investors in New Board PRO listed securities are eligible investors. For such reason, we do not think any special measures are necessary, but it would always be helpful if regulatory guidance is provided to these Exchange Participants to make sure that they understand the requirements under the New Board PRO regime.

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 consider it desirable to also apply the existing sponsor regime to New Board PRO, in order to ensure the quality of listings, which is equally important in New Board PRO.

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 the view of SEHK in paragraphs 146-148.

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 with SEHK that a New Board PRO listing document should contain the information that the professional investors would customarily expect it to contain. However, since New Board PRO would be new to the market, it would be helpful if SEHK could, by way of guidance, provide a list of contents that are normally expected to be included in a New Board PRO listing document (designed with reference to the existing GEM/MB content requirements, to the extent applicable), so that the New Board market can operate with higher certainty, especially at the beginning.

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 the view of SEHK in paragraph 151. New Board issuers should be subject to the same continuous listing obligations as Main Board issuers.

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 view of SEHK in paragraph 153.

We agree that a disclosure-based approach as discussed in paragraph 153 should be adopted for New Board PRO. However, for New Board Premium, where retail investors are involved, some sort of mandatory safeguards along the lines described in paragraph 154 should be adopted.

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.

See our answer to Q17 above.

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.

For primary listing, regardless of whether such New Board applicants have been listed on NYSE or NASDAQ, they should, as a general principle, follow SEHK's Listing Rules requirements that are generally applicable to all New Board applicants. However, SEHK may reserve powers to grant waivers on a case-by-case basis having taken into accounts all relevant factors, which may include, among others, whether the applicant has a good compliance record as a listed company on the stock exchange on which its shares are already listed.

For secondary listing, we agree with relaxing or waiving the requirement to comply with Hong Kong's Listing Rules.

Companies listed in US or other jurisdictions that have equivalent shareholder's protection mechanism should be similarly exempted.

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

Please give reasons for your views.

We agree with the views of SEHK. A delisting process can protect the interests of investors.

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.

In general, we consider following the existing Main Board Listing Rules on maintaining a listing status as sufficient. There is no need to impose additional criteria, except that, for New Board PRO companies, a delisting process may be considered on the basis of the issuer failing to have sufficient business operation up to a certain level (in dollar amount) for a prescribed period.

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.

See our responses to Q20 and Q21.

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