

18th August, 2017

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

To: Stock Exchange of Hong Kong Limited (“SEHK”),

Re: New Board Concept Paper (“Concept Paper”)

The Hong Kong Information Technology Joint Council (“HKITJC”), which has membership constituencies of local Information Technology (“IT”) related professionals and industries, would like to provide the following comments and suggestions in response to the SEHK’s consultation on the captioned subject.

(A) Deficiency of Hong Kong’s Investment Funding Ecosystem for Enabling Wider Success of New Economy and Technology Companies

1. Hong Kong society has the consensus in recognizing that in order that to maintain long-term economy competitiveness and sustainability of Hong Kong, we must move forward the strategy of developing IT as a new economy driver quickly. In comparison with our neighbour countries/economies, including China, the development progress in this direction has been slow.

2. A general problem that we have identified in our previous study (by HKITJC) is related to the deficiency of Hong Kong’s investment funding ecosystem, which has not be able to support wider success of local companies and entrepreneurs in the new economy and technology businesses. At present, we can describe the local funding ecosystem as incomplete. We have in Hong Kong some angel investors. However, there are quite few professional early-stage investors and venture capitals investing in local new economy and technology developments and related businesses. On the other hand, we have a complete investor network and institution that support in late stage pre-IPO and public market.

(B) HKITJC’s Position on the New Board PREMIUM

3. HKITJC strongly supports the proposal in the Concept Paper of instituting a New Board by SEHK, with appropriate segmentation of stock issuers and investors. This development would be a good development that addresses the aforementioned problem related to the funding ecosystem deficiency. When a complete funding ecosystem with more early-stage funding channels is in place for facilitating investments in technology and new economy companies at different stages of business maturity, an extended pipeline of more good potential companies run by young entrepreneurs locally would then be able to continue their missions and endeavours towards the goals of success.

4. We support in general the concept and the considerations discussed in the Concept Paper for the proposal of establishing the New Board with two distinct segments,

namely the New Board PRO and New Board PREMIUM, as summarized in paragraphs 4 – 10 and deliberated in details in subsequent paragraphs of the Paper.

5. Specifically, we support the establishment of the New Board PREMIUM as proposed with the considerations elaborated in the Paper. Indeed, this development would bridge up the missing link in allowing the groups of successful and reputable companies in the new economy and technology related businesses, like XiaoMi, DiDi, Airbnb etc., that do not currently meet the requirements of the Main and GEM Boards to list in Hong Kong. At the same time, it is also an elegant way of providing clear segmentation of stock investments in Hong Kong on pre-profit companies, companies with non-standard governance features, and Mainland Chinese companies that wish to secondarily list in Hong Kong.

(C) HKITJC's Position and Suggestions on the New Board PRO

6. While the New Board PREMIUM establishment is important and a necessary move for ensuring continued success of Hong Kong's IPO market in global competition, the listed companies under the New Board PREMIUM need not necessarily have their core business operations locally. In other words, the establishment of this Board might not be relevant to the strategy of enabling wider success of local companies in the new economy and technology businesses, which would provide highly valued job opportunities to our young generation and leverage the local advantages in technology innovations and business creativities.

7. For the reason as stated above, HKITJC supports the New Board PRO establishment for professional investors as an equally important development for addressing the needs of a distinct segment of stock issuers and professional investors. The New Board PRO would create a new habitat in the funding ecosystem for encouraging early-stage investments in local technology and new economy oriented businesses in Hong Kong.

8. We have a contrary view to the proposal in the Concept Paper (paragraph 138) to require a listing applicant on the New Board PRO to have a minimum of 100 investors at the time of listing (and a minimum public float at listing of 25%) to help ensure adequate liquidity in secondary trading. It is because this requirement would be difficult for most of the companies wanting to list on the Board to comply. It is a dilemma between requiring a smaller minimum number of investors at the listing time and ensuring adequate liquidity in secondary trading. Instead of requiring a minimum number of investors that most potential listing applicants would be difficult to comply, we would propose to reduce the minimum number of investor at the time of listing to 30 (from 100) and to consider bringing in market maker mechanism to provide liquidity.

9. In case that the New Board PRO establishment with a less stringent requirement on the minimum number initial investors, as proposed above, were not a favoured option, we would suggest the New Board PRO be changed to a "register only" mechanism. Through a registration framework, professional investors and investment funds would simply register their investments in technology and new economy oriented companies without having a responsive mechanism to effect active secondary trading.

10. For enquiries, please contact Mr. Kenneth Chan, Vice President & Honorary Secretary, HKITJC (email:).

Yours sincerely,

Duncan Chiu
President, HKITJC



香港資訊科技聯會

HONG KONG INFORMATION TECHNOLOGY JOINT COUNCIL

[23rd Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong SAR](#)

[香港香港仔黃竹坑黃竹坑道 21 號環匯廣場 23 字樓](#)

Main: +852 2887 9113 | Fax: +852 3585 8820 | e-mail: iticsec@hkitjc.org.hk