

## 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.

██████████ is strongly of the view that the New Board would have a positive impact in attracting "New Economy" issuers and in doing so it will have a significant positive impact on trading liquidity. As global capital market practitioners, it is clear to us that "New Economy" companies are the key focus of global investors and the ability to attract these listings will have a create significant capital flows to their listing venue.

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.

The target companies will require some flexibility with regards to governance structures, as a result we feel the New Board Premium is strong proposal. We do not believe Investors will differentiate between boards and will make their investment decision on the back of the invesment merits of the company and the technicals of the IPO. Some the "targeted" companies we believe are now very substantial companies, with equity values well in excess of >HK\$80 billion and may also look for some flexibility with the amount of free float that is offered. Similar to US markets, where the is significant flexibility around deal sizing.

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 believe it makes sense from governance perspective to segment the companies based on their attributes. This makes for a clear delination for investors on the risk level of companies that could impact their investment decisions.

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.

We think the new framework is constructive for the health of the overall market. The heightened regulations for GEM listing should improve investor appetitie and we agree with the "Prospectus-standard" for MainBoard.

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.

Yes, given the light nature of the proposed PRO board, we think it is prudent to have public offer requirements imposed if there is migration to any of the other boards.

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.

Yes, we believe they are adequate to attract investors to the new boards and adds heightend credibility to the capital markets.

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.

In this context, we think the Exchange should hold companies to the highest standard possible. Companies that meet New Board PREMIUM, GEM or the Main Board should list there. Choosing to list on the New Board PRO despite meeting a higher standard would very likely be questioned by the market.

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.

Generally, a minimum listing free float is one of the ingredients to positive trading. However, for very large "New Economy" companies that potentially list on the New Board PRO or New Board PREMIUM, the Exchange should consider flexibility around free float. We have often observed that Chinese ADR listings in the US have floats as little as 10%.

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.

The US market is a highly reputable and liquid market. As a result, we do not believe that any additional requirements for listing should be implemented by Hong Kong. It may be prudent to introduce a minimum market capitalization requirement for back-listing. US\$750m or greater would seem to be an adequate threshold. We believe that dual-listing of US listed Chinese companies in Hong Kong will be positive for liquidity and the health of the Hong Kong market. The real advantage of a "back-listing" to Hong Kong would be to make these companies eligible for South-bound trading. Access to Chinese capital via Southbound trading for companies such as Alibaba or JD.com (and many others US listed Chinese companies) would likely mean a material increase in overall trading activity in Hong Kong.

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.

As the New Board PRO is a Professional investor only market, it will likely be catering to wealthy private individuals and institutions. We believe that the "lighter touch" approach can be applied, but that companies without financials should be required to present detailed business plans and business models. It may also be worth considering, having these company report quarterly earnings / business updates. This way investors would be able to better track the progress of early emerging companies.

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 do not hold a strong view on this matter, as we do not service retail clients. There is risk that companies are not well traded, due to the lack of retail, but it may makes sense to restrict trading by retail to minimize risk of loss.

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.

If the Exchange imposes restrictions on "professional" investors, we think it should be properly policed.

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 believe the Sponsor Regime is a strong one and constructive for consistency across the boards.

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 do not have a strong view.

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 believe that a Prospectus should still be required and the disclosure standards should still generally follow the ones that are being used by Prospectus for HKIPO now

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.

Given the New Board is intended for "New Economy" companies, certain continuous listing obligations (e.g. continuing connected transaction cap) can be considered for exemption. For example, as "New Economy" companies tend to have a lot of cooperations between its associates/connected persons within the same ecosystem and often times it is not feasible and there are no reasonable basis to set a cap for continuing connected transactions. In general, the continuous listing obligations should be similar to what's currently used for Main 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 do not believe that companies to be listed on New Board with a WVR structure necessarily have to just take a disclosure-based approach, like it is in the US. Given the difference in legal systems in HK vs US (i.e. no class-action in HK), HK can consider taking the "specific safeguards" approach, which can then be catered based on existing Listing Rules, whereby certain rules that may not be applicable to WVR/"New Economy" companies can be exempted/waived. This will avoid HK having two sets of approach at two ends of the spectrum.

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.

Certain safeguards such as: (1) certain minimum track record period; (2) minimum number/proportion of INEDs; (3) disclosure of CCTs; (4) minimum float with a lower threshold; (5) financial reports disclosure standards; (6) directors' suitability; (7) most of the continuing listing obligations

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.

See earlier answer to Q17. It does not necessarily have to be "disclosure-only". We do agree that companies listed elsewhere on NYSE and NASDAQ with good compliance record can be considered for exemption

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

Please give reasons for your views.



Our observation from discussion with investors is that the practice of suspending stocks harms minority investor interests and does not allow a natural price to be discovered or for retail to have any liquidity.

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 think delisting after a certain timeframe is appropriate. As mentioned, previously suspension of stocks hurts minority shareholders, whereas giving the market a warning of de-listing allows the market to appropriately trade the stock.

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.

We do not have a strong view.

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