



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

18<sup>th</sup> August, 2017

Dear Sirs,

**Re: Concept paper on New Board (the “Concept Paper”) and Consultation Paper on Review of the Growth Enterprise Market (“GEM”) and Changes to the GEM and Main Board Listing Rules (the “Consultation Paper”)**

We refer to the Concept Paper and the Consultation Paper and would like to put forward our views for your consideration. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Papers.

**1. The Concept Paper on New Board**

In light of the fast changing global economy and the evolution of companies with new business models, new operating models, and/or new management models, we strongly agree that Hong Kong should revisit its listing regime from time to time to reflect such changes and attract a more diverse range of companies to list on its stock exchange so as to maintain Hong Kong’s competitiveness as a global financial centre.

Companies that have evolved in response to the changing economy have certain special characteristics that can be essential for the success of their businesses, such as the use of Weighted Voting Rights (“WVR”) structures, and they typically exhibit minimal upfront profits but have substantial growth potential requiring substantial funding.

The current listing regime has been developed with traditional companies in mind and so most of the companies referred to above cannot meet the listing requirements stipulated therein. Therefore, a new listing regime/platform with tailored rules and regulations that can accommodate the above mentioned special characteristics, while at the same time upholding the quality of shareholder protection, is crucial to the ongoing development of our market.

**a) Introduction of the New Board**

To achieve the above objective, there are different means, such as introducing a new board as proposed in the Concept Paper or having a separate segment within the current Main Board and/or GEM Board with rules and regulations tailored to meet the needs of New Economy companies. The Exchange should give further thoughts and consider the views of the market in deciding which means to be adopted to achieve the above objective. Among others, consideration should be given to the expected trading volume of the new platform and thus sustainability of the platform.

Irrespective of the means to be adopted, given New Economy issuers are of higher perceived risk than traditional issuers, we recommend the Exchange to adopt measures that would facilitate investors to differentiate New Economy issuers from traditional issuers, such as inclusion of a prefix or a suffix to the stock codes of New Economy issuers.

Subject to the result of the market consultation, if a new board is to be adopted for New Economy companies, the current terminology “Premium” has to be revisited as it gives an impression that it is superior to “Main Board”. For example, in UK, the term “Premium listing” is used for the top-tier listing.

***b) Allowing Weighted Voting Rights***

We agree with the proposal to allow New Economy companies with WVR structures to be listed in Hong Kong as WVR structures are apparently important for the operation of New Economy companies, especially at the start-up stage, and such structures are becoming more popular.

Having said that, to uphold the quality of shareholder protection, we recommend the Exchange impose mandatory safeguards for companies with WVR structures in addition to disclosure requirements.

To ensure investors can make their investment decisions on an informed basis, the WVR structures should be restricted to new applicants only as investors in a company with a WVR structure at the IPO stage will have full knowledge of the fact that their rights will be inferior to those given superior rights when they make their investment decision. For existing listed companies, they should not be allowed to implement WVR structure after listing as that may unfairly restrict or reduce the rights of minority shareholders.

In addition, as the objective of the WVR structure is to facilitate the operation of New Economy companies, but not for share trading, the WVR shares should be restricted to the founders and the initial management of the company and the WVR shares should be converted into OSOV<sup>1</sup> shares if WVR shares are transferred to persons who are not “affiliated” with the founders and the initial management and/or if the shareholdings of the founders and the initial management fall below certain threshold.

***c) Admission criteria for New Economy companies***

We generally agree with the admission criteria proposed in the Concept Paper.

If the New Board PRO is to be established, we would like to clarify the minimum content of the listing document. While we agree that applicants seeking a listing on the New Board PRO should only have to produce a Listing Document that provides accurate information sufficient to enable professional investors to make informed investment decisions, rather than a full

---

<sup>1</sup> OSOV - ordinary shares that entitle the holder to one vote for every share held on all matters subject to shareholder approval at general meetings



Prospectus, we are of the view that the listing document should include at least audited financial information of the listing applicant for the most recent three financial years (or if the applicant has a track record period shorter than three financial years, then since its date of incorporation) as such information is essential for investors to assess the performance of the company's management. For reference, other stock exchanges that impose no financial or track record criteria on the listing applicants, such as LSE's AIM and Singapore's Catalist, require listing applicants to include audited financial information for three financial years (or such shorter period that the applicant has been in operation) in the listing documents.

## **2. The Consultation Paper on Review of GEM and Changes to the GEM and Main Board Listing Rules**

In general, we support the proposals to change the regulations of GEM and Main Board. We consider the proposals helpful in reflecting currently acceptable market standards and addressing recent market concerns regarding the quality and performance of applicants to, and listed issuers on, GEM and the Main Board.

### ***a) GEM as a Stand-alone board***

We agree with the proposal to re-position GEM as a stand-alone board for small to mid-sized companies.

However, regarding the publication of "prospectus-standard" listing documents for a GEM Transfer, we are of the view that certain information in the prospectus could be waived or incorporated by reference using other public documents from the applicant if the required information has been covered in the applicant's periodic reporting published under the relevant GEM continuing listing obligation requirements, as repeating such information in the prospectus does not provide any additional information to investors. For example the accountant's report on historical financial information of the listing applicant and biographical details of directors and senior management can be incorporated by reference to the applicant's annual and interim reports. This helps to avoid imposing unnecessary burdens on the GEM Transfer applicants while not depriving investors of any material information.

### ***b) Requirements for transfer from GEM to the Main Board***

If GEM is re-positioned as a stand-alone board and all GEM Transfer applicants will be subject to the same listing requirements as new applicants directly applying to be listed on the Main Board, we are of the view that there is no need for imposing additional requirements on GEM Transfer applicants. Accordingly, we do not find any necessity for retaining or increasing the current requirement that all GEM Transfer applicants should have published and distributed at least one full financial year of financial statements after their GEM listings.



羅兵咸永道

As for the requirement that all GEM Transfer applicants should not have been subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 12 months, we believe that this is addressed by the guidance on suitability for listing as set out in GL 68-13 (refer to paragraph 3.2(2) on “Non-compliances” in GL 68-13) if the GEM Transfer applicants are subject to the same assessment as new applicants directly applying to be listed on the Main Board under the proposed regime. Accordingly, we see no necessity to retain or increase such requirement.

Overall we fully support the Exchange in revisiting the current listing regime to attract a more diverse range of companies to list in Hong Kong and revising the current regulations to safeguard the quality of our market.

We hope the above information is helpful. If you have questions or would like to discuss any matters further, please do not hesitate to contact Kennedy Liu at [REDACTED].

Yours faithfully,

[REDACTED]