



The British  
Chamber of Commerce  
in Hong Kong  
香港英商會

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18<sup>th</sup> August 2017

Dear Mr. Li,

**New Board Concept Paper; and**  
**Consultation on Review of the Growth Enterprise Market (GEM) and Changes to the**  
**GEM and Main Board Listing Rules: Response of British Chamber of Commerce**

The British Chamber of Commerce in Hong Kong agrees on the importance of maintaining Hong Kong's premier status as an international financial centre, and of exploring opportunities to extend our capital markets to newly emerging companies and less conventional corporate structures. However the Chamber has a number of questions and observations relating to the HKEX's specific proposals, as set out below.

A threshold question to ask is: does Hong Kong need four boards? If the New Board (which in reality comprises two different boards: Premium and PRO) is established, is there a reason to keep GEM? Any decision on the New Board should include a comprehensive approach to GEM. If GEM is to be maintained, it must continue to be relevant, and then the question is whether there is a need for the New Board. If the New Board is to be established, its value-add to Hong Kong must be clear.

It seems that the New Board Premium is meant for applicants with weighted voting rights (WVR) structures but which, in all other respects, are the same as Main Board applicants. Would an alternative approach be to ask such applicants to list on the Main Board? Their WVR structure could be clearly differentiated by a special code or other unique features.

We believe that Hong Kong's regulatory framework must be relevant to the current environment and it should also be forward-looking. Hong Kong should be able to meet the needs of "new economy" companies without compromising investor protection. For example, in the case of WVR companies, this would entail full and transparent disclosure of the WVR structures and safeguards as mentioned in our response to the HKEX "Weighted Voting Rights Concept Paper" consultation of August 2014. Similarly, 'pre-profit' and new economy companies should still prepare offer documents to prospectus standards.

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We believe that Hong Kong capital markets should embrace both "established economy", and "new economy" companies, each group with a different and separate infrastructure and regulatory framework appropriate to the companies' business models, corporate structures and investor base. We urge HKEX and the Hong Kong Government to look to successful regulations in other jurisdictions; for example, in the US, where different exchanges cater for different markets.

To meet the funding needs of small start-ups, we would also ask if it would be more appropriate to encourage or permit some form of crowdfunding? In this regard, we refer to the views and recommendations of the Financial Services Development Council in their paper "Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong" of March 2016.

And in considering options, it is vital that Hong Kong markets retain the full confidence of the international investment community, this being a key point of differentiation and competitive advantage.

We have not 'ticked the box' on all of the detailed questions relating to proposed regulations or conditions for the various boards. Instead, these fundamental matters should be considered, before a deep dive into detailed regulations and conditions for listing.

We do wish to make a specific comment about shell companies and a GEM listing being considered as a stepping stone to the Main Board. We believe that any substantial change of business, or substantial change of shareholder within a short period of time from listing should only be allowed after a vigorous pre-approval process. Any subsequent transfer to Main Board will be treated as a new application.

Last but not least, we hope the HKEX will continue to take a global approach to market innovation; for example, to look beyond Mainland Chinese companies as potential listing applicants and encourage the listing of debt instruments.

Yours sincerely,

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