

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017062.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree with the proposal to re-position GEM as a stand-alone board and hence remove the GEM Streamlined Process for GEM Transfers and re-introduce the requirements to (a) appoint a sponsor to conduct due diligence for GEM Transfers; and (b) publish a “prospectus-standard” listing document such that GEM Transfer applications are treated as a new listing application (without requiring the applicant to conduct an offering)?

☐ Yes

☒ No

Please give reasons for your views.

No. Not sure why it would be necessary to impose the additional requirements on a company which has (i) undergone a DD process at its GEM board IPO, and (ii) been required to comply with GEM board listing rules after listing.

2. Do you agree with the proposal to require all GEM Transfer applicants to have (a) published and distributed at least two full financial years of financial statements after their GEM listings; and (b) not been subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 24 months before they can be considered for a GEM Transfer?

☒ Yes

☐ No

Please give reasons for your views.

3. Do you agree with the proposal to retain the current track record requirement under the GEM Listing Rules (i.e. two financial years)?

☒ Yes

☐ No

Please give reasons for your views.

4. Do you agree with the proposal to retain the current practice of not requiring a GEM applicant that can meet the Main Board admission requirements to list on the Main Board instead of GEM?

☒ Yes

☐ No

Please give reasons for your views.

An applicant should be free to decide as that would have an impact on the set of rules/requirements to be complied on and after listing.

5. Do you agree with the proposal to increase the Cashflow Requirement from at least HK\$20 million to at least HK\$30 million?

☐ Yes

☒ No

Please give reasons for your views. We invite suggestions on other potential quantitative tests for admission to GEM.

No. Not necessary to increase the threshold - not sure if such increase would have any practical benefit, especially to the competitiveness and attractiveness of SEHK.

6. Do you agree with the proposal to increase the minimum market capitalisation requirement at listing from HK\$100 million to HK\$150 million?

☐ Yes

☒ No

Please give reasons for your views.

No. Not necessary to increase the threshold - not sure if such increase would have any practical benefit, especially to the competitiveness and attractiveness of SEHK.

7. Do you agree with the proposal to increase the post-IPO lock-up requirement such that controlling shareholders of GEM issuers:

- (a) cannot dispose of any of their equity interest in a GEM issuer within the first year of listing; and
- (b) cannot dispose of any interest in the subsequent year that would result in them no longer being a controlling shareholder as defined under GEM Listing Rule 1.01?

☐ Yes

☒ No

Please give reasons for your views.

Not necessary.

8. Do you agree with the proposal to introduce a mandatory public offering mechanism of at least 10% of the total offer size for all GEM IPOs?

☐ Yes

☒ No

Please give reasons for your views.

Not sure why it would be necessary to remove one of the attractive features of GEM IPOs. This onerous requirement would no doubt reduce the number of GEM IPOs - a price to pay with no practical benefits.

9. Do you agree with the proposals to align the GEM Listing Rules on:

- (a) placing to core connected persons, connected clients and existing shareholders, and their respective close associates with those under Appendix 6 to the Main Board Listing Rules and Guidance Letter HKEX-GL85-16 "*Placing to connected clients, and existing shareholders or their close associates, under the Rules*"; and

☐ Yes

☒ No

Please give reasons for your views.

With due respect, the existing rules under GL85-16 for Main Board are confusing, cumbersome and onerous. Unless and until the regime is further streamlined, it is not recommended to extend the requirements to GEM.

- (b) the allocation of offer shares between the public and placing tranches and the clawback mechanism with those in Practice Note 18 to the Main Board Listing Rules?

☐ Yes

✓ ☐ No

Please give reasons for your views.

Same response as paragraph 8 above.

10. Do you agree with the proposal to increase the minimum public float value of securities from HK\$30 million to HK\$45 million?

☐ Yes

✓ ☐ No

Please give reasons for your views.

No. Not necessary to increase the threshold - not sure if such increase would have any practical benefit, especially to the competitiveness and attractiveness of SEHK.

11. Do you agree with using the Profit Requirement to determine eligibility to list on the Main Board?

✓ ☐ Yes

☐ No

If not, what alternative test should be used? Please give reasons for your views.

12. If you agree to retain the Profit Requirement, do you agree that the current level of profit under the Profit Requirement should remain unchanged?

☐ Yes

☒ No

Please give reasons for your views.

Threshold could be lowered to attract companies with potentials.

13. Do you agree with the proposal to increase the minimum market capitalisation requirement at listing for Main Board applicants from at least HK\$200 million to at least HK\$500 million?

☐ Yes

☒ No

Please give reasons for your views.

No, feel strongly against the proposal. SEHK should learn the lesson of certain stock exchange in the region which suffered badly after increasing threshold for listing. This does not contribute at all to the competitiveness and attractiveness of SEHK.

14. Do you agree with the proposal to proportionately increase the minimum public float value of securities for Main Board applicants from HK\$50 million to HK\$125 million?

☐ Yes

☒ No

Please give reasons for your views.

Same response as paragraph 13 above.

15. Do you agree with the proposal to increase the post-IPO lock-up requirement such that the controlling shareholders of Main Board issuers:

- (a) cannot dispose of any of their equity interest in a Main Board issuer within the first year of listing; and
- (b) cannot dispose of any interest in the subsequent year that would result in them no longer being a controlling shareholder as defined under Main Board Listing Rule 1.01?

☐ Yes

☒ No

Alternatively, do you believe that it is not appropriate to extend the post-IPO lock-up requirements for Main Board applicants, given that they are less likely to have the characteristics identified in the 2016 Suitability Guidance Letter because of their larger size and our proposal to raise the minimum market capitalisation requirement to HK\$500 million.

Please give reasons for your views.

No, such proposal is not necessary (whether or not they are likely to have the characteristics as suggested). A one year lock-up is sufficient.

16. Do you agree that the proposals for the Main Board should be considered independently irrespective of the outcome of the proposals for GEM?

☐ Yes

☐ No

Please give reasons for your views.

No comment.

With due respect, most of the proposals to make a listing process/ post-listing requirements more onerous above should be carefully re-considered. Compared to many stock exchanges in the world, SEHK has been doing a good job in terms of corporate governance and shareholders' protection, and it is not necessary to increase the bar which would otherwise be unduly burdensome to new applicants, affecting the attractiveness of Hong Kong as a destination for IPO.