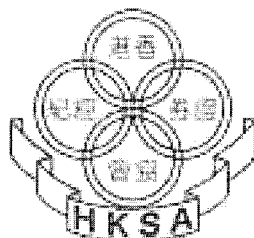


**Response to
Consultation Paper On The Growth Enterprise Market**



Hong Kong Stockbrokers Association

7 November 2007



Admission requirements

As responded in our submission to the Discussion Paper in 2006, we considered that the GEM Board should be positioned as a place where SME's can raise funds and maintain their listing status without any pressure to transfer to the Main Board or the stigma of staying on a "second rate" board. Setting higher admission requirements would adversely affect GEM as a capital formation platform for SMEs, particularly for those high and new technology enterprises with only minimum cashflow and tangible assets but seeking to raise capital on GEM to commercialize their products research and development.

We are of a view that the admission requirements should remain as it is and it is best to let the market to judge whether a GEM applicant is a "business of both substance and potential" rather than introducing a requirement of "positive operating flow of HK\$20 million or more in aggregate for last latest 2 financial years" which is just as arbitrary.

Accordingly we disagree with the proposals as set out in Q1(a), (b) (c), (d),(e),(f).

We agree with the proposals to retain the requirements as status quo as set in Q1(g), (h), (i), (j) as well as (j) to relax fundamental changes in business activity from two years after listing to one year.

Process of admission to GEM

We are of the view the existing process of listing approval by the Listing Committee is essential for the purpose of independent checks and balances in the operations of Listing Division on GEM listing applications. We are concerned that without the involvement of the Listing Committee, the Listing Division will effectively process and approving the listing application by the same personnel. In addition we do not see the rationale of GEM having a different process of approval of listing applications from Main Board.

Based on the feedback of our members, the concerns as to time efficiency and predictability of the listing process for GEM companies (as well as for Main Board) stem from the slow response time of the vetting process rather than involvement of the Listing Committee. In order to expedite the process of admission, we suggest the HKEx to publish a performance pledge on the response time similar to the one by the SFC in relation to the response time on vetting submission and documents of listing applications.



Continuing obligation for GEM

We noted that Para 95 of the Consultation states that other obligations for GEM, including “sufficiency of operation or tangible or intangible assets” would remain as at present. However in Para 96, it also proposed that the sufficiency of operation requirements for GEM should be the same as Main Board., Currently, GEM does not have requirements on (i) tangible assets of sufficient value; nor (ii) intangible assets for a potential value and we are rather confused by the Consultation as what is the proposal putting forward.

The key impact of sufficient operations requirements is essentially whether GEM companies that do not meet such requirements will get delisted and the relevant procedures/ process to be involved. In this regard, the Consultation did not set out any detail proposal and we assume that any delisting procedures for GEM companies to be adopted by HKEx will be subject to further consultation and will provide our comments accordingly.

Transfer from GEM to Main Board

We have no significant comments on this section.

Merger of Main Board and GEM Listing

Since it requires some time to assess the impact on the proposed changes to GEM Listing Rules, we consider the proposal of merging of the two rules book should be postponed to such as time until the proposed changes have been smoothly implemented.