

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 No

Please give reasons for your views.

Unless the GEM issuer has a track record of material non-compliance with GEM Listing Rules, measured by a bench mark to be adopted, a prospectus standard listing document should be unnecessary for a company already listed on HKEx.

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 Yes

No

Please give reasons for your views.

A good incentive for management of a GEM listed issuer to comply with the GEM Listing Rules

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 Yes

No

Please give reasons for your views.

A two year track record is sufficient to demonstrate the viability of the business and little increase in protection of investors would be accomplished by increasing the track record to three years

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 Yes

No

Please give reasons for your views.

No good reason to force GEM companies to list on the main market instead of GEM

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 No

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

It's an unnecessary increase

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 No

Please give reasons for your views.

It's an unnecessary increase and adds little to investor protection

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 Yes

No

Please give reasons for your views.

Will discourage GEM listings by controlling shareholders without a genuine interest in developing the business of the listing applicant.

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 Yes

No

Please give reasons for your views.

Will reduce ability of controlling shareholder to manipulate share price after listing and in order to persuade HKEx keep the 2 year track record and \$20m operating cashflow threshold.

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 Yes

No

Please give reasons for your views.

Will reduce ability of controlling shareholder to manipulate share price after listing and in order to persuade HKEx keep the 2 year track record and \$20m operating cashflow threshold.

(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

Yes

No

Please give reasons for your views.

10. Do

Will reduce ability of controlling shareholder to manipulate share price after listing and in order to persuade HKEx keep the 2 year track record and \$20m operating cashflow threshold.

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

YES Yes

No

Please give reasons for your views.

Will reduce ability of controlling shareholder to manipulate share price after listing and in order to persuade HKEx keep the 2 year track record and \$20m operating cashflow threshold.

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

YES Yes

No

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

There should be a single standard for listing on main market.

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

Yes

No

Please give reasons for your views.

The current profit requirement is sufficient. It's an unnecessary increase and adds little to investor protection

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 No

Please give reasons for your views.

It's an unnecessary increase and adds little to investor protection

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 No

Please give reasons for your views.

It's an unnecessary increase and adds little to investor protection

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

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.

Main Board applicants are less likely to have the characteristics identified in the 2016 Suitability Guidance Letter etc.

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

No

Please give reasons for your views.

Listing applicants will consider all available methods of listing and changes in the main board Listing Rules are likely to affect applicants to GEM

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