

From: Anthony Cheung [REDACTED]
Sent: Saturday, August 12, 2017 4:54 PM
To: response
Cc: [REDACTED]
Subject: [REDACTED]
Importance: High

Dear Sir / Madam,

[REDACTED]
[REDACTED]

Regarding the proposed change on GEM board, I strongly felt if the GEM board is to stay, the GEM board should adopt

- (1) the accelerated delisting mechanism proposed by the New Board Premium, after say a 3 year grandfather period. and
- (2) the GEM board reporting requirement (including frequency and ESG reporting) should align with the requirement of the main board. #

ESG reporting requirement is a global SECULAR trend and HK is not a pioneer (Japan and Korea in this region is ahead of HK, for example).

The current HKEx ESG reporting requirement is very basic (much less stringent than G3 (Global Reporting Initiatives GRI) and therefore is NOT costly to adopt (I am an INED of a main board listed company and hence I am aware of the changes and the cost to comply with ESG reporting).

It should be the standard for ALL listed company floated on the HKEx, including the GEM board (and the proposed New Board). The alignment of reporting requirements, would be viewed by institutional investors and HKEx that GEM is for early stage smaller / higher growth companies, NOT for companies with poor / worse quality to list.

Please feel free to be in touch if you need any further information.

With best regards,
Anthony

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[REDACTED] | [REDACTED]

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.

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.

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.

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.

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.

Agree with (a) Two years should be minimum. It prevented them from posting short term good results soon after IPO and controlling shareholder will sell down quickly, but have a more long term approach to their ownership. (b) could be a bit too prohibitive although intention is good and prevent "shell companies"; it also prevent real life M&A

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.

should always align with the main board requirement to begin with (also the clawback mechanism)

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.

(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.

explained in Q8

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.

current minimum is too low and outdated. could be HK\$50m

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.

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.

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.

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.

Two years of lock up is even better. Encourage controlling shareholder to have a longer term ownership mentality. Dilution by primary placement is OK, but secondary sell down is not; or should be at least 18 month lock up

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.

i strongly few if the GEM board is to stay, the GEM board should adopt (1) the accelerated delisting mechanism proposed by the New Board Premium, after say a 3 year grandfather period. and (2) the GEM board reporting requirement (frequency and ESG reporting) should align with the main board. ESG reporting are the global SECULAR trend and HK is already not a pioneer (falling behind Japan and Korea in Asia for example). The current HKEx ESG reporting requirement is very basic (much less stringent than G3 (Global Reporting Initiatives GRI) and therefore is NOT costly to adopt. It should be the standard for ALL listed company floated on the HKEx, including the GEM board. The alignment of reporting requirements, would be viewed by institutional investors that GEM is for early stage smaller / higher growth companies, NOT companies with poor / worse quality.