

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.

Do not agree with the proposal to re-position GEM as a stand-alone board so the streamlined process for GEM transfers shall remain. The spirit for GEM board was to be a bridge and provide a fund raising platform for companies with growth potential that aren't profitable or without a track record like the companies that are eligible to list on the Main board. It also gives informed investors an alternative to look at companies that are higher risk but with high growth potential that will one day make it eligible to transfer to the mainboard (at a reasonable cost no less). Removing the linkage between the two Boards would not only destroy the spirit of GEM but would also destroy the attractiveness of GEM board to both eligible companies and investors.

Speaking from an investor point of view, by introducing two extra boards and also removing all linkages for the 4 boards (Main, GEM, Pro, Premium) to me would mean segregation of investors which will greatly affect the liquidity for each of the boards. I do not believe by doing this will attract extra foreign funds but instead, splitting the current pie into 4 boards that really have no relations to each other.

However, I do believe the newer, asset light investments such as the heavily promoted esports shall have a place on the exchange but it is not through the introduction of two extra boards but instead, by tweaking the current GEM board in order to accommodate such market trend.

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.

I believe it is fair for GEM board listings to go through 2 full years of financial results before it can be considered for a transfer to the Main Board. I believe 2 years is a good amount of time to gauge if the financial performance of the GEM listing is sustainable and stable enough as a projection for the future.

I also believe it is fair a GEM transfer candidate shall not seriously breach any listing rules for 24 months before they can be considered for a GEM transfer. "Potentially serious breach" on the other hand is quite subjective in nature and shall not be considered unless actual judgement is given on the company.

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.

The current track record requirement (two financial years) under GEM listing rules is fair because it provides a better picture to informed investors regarding the state of a company prior to listing. 2 years is long enough to see if the company has potential but also short enough for the company to take it to a fundraising platform such as GEM and use the proceeds to take the company to the next step.

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.

I believe giving a certain degree of freedom to companies to choose their desired path is a sign of a matured system. Rigidness is better for control but that does not necessarily make a healthy system because it lacks flexibility.

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.

There is some merit for this increase because it shows greater strength in the company prior to listing. However, GEM is not always about showing strength but instead more on potential. So maybe retain the requirement of aggregate HK\$20 million but also make a minimum cashflow requirement for each of the year.

Also, by adding more quantitative tests means many more companies with high potentials will not be able to meet ALL of the requirements and hence miss out on a chance on fundraising. Every company is different in nature and maybe qualitative approach could be more meaningful instead of quantitative approach when judging "potential".

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.

If there's a minimum cashflow requirement as suggested above, which probably means the eligible companies are probably breaking HK 20 million aggregate anyway, I do believe it shall be reflected with a higher market cap.

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.

Yes for a) - a lock up within first year of listing for controlling shareholders is more than reasonable. While it is a No for b) for I believe this would be too harsh on the controlling shareholder but instead maybe he/she can sell down but still at least remain a substantial shareholder.

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.

I am for this proposal because it does help broaden shareholder base but execution might become a problem as GEM IPOs might not be as attractive to the public. So this would likely need more figuring out

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.

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- (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.

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.

Public float value of securities increase could greatly affect the share price especially when it comes to GEM board where liquidity is not as great as the main board. This is why an increase of minimum public float of securities by 50% could be detrimental to the stability of GEM board share prices.

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.

When it comes to Main Board, I still believe profit plays a big role and it shows a company's sustainability and stability best. It is important in determining whether or not a company shall pay dividend and expand using internal resources. So I do think that leave the profitable companies on Main Board or use it as a benchmark for GEM transfers and leave GEM as the board that measures potential of a company.

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.

Current level of profit requirement does seem fair

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.

If profit requirement remains unchanged then minimum market capitalisation shall also remain unchange.

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.

Proportionally Main Board minimum public float is a bit small compared to GEM board. However, a 2.5x increase would be too drastic a change. Could consider something smaller

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.

First of all I do not agree to raise the minimum market cap requirement. So my answer would be the same as question 7 where I agree with a but believe b is a bit harsh and should allow these controller shareholders to dispose some of their shares (but also maintaining a certain level).

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.

The point of Main Board and GEM board is that they ARE supposed to be linked together. So it is unwise to consider proposals for Main and GEM board independently as one affects the other a bit too much. Also, even IF GEM board was made independent from Main board, investors would not think that way as their money is limited and by splitting their investment between main and GEM they would have to consider all facets of the market. So it is impossible for regulators to consider two such tightly related markets as independent entities.

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