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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper. The re-introduction of the sponsor and "prospectus-standard" requirements will have the benefit of preventing regulatory arbitrage between the Main Board and GEM and ensuring that GEM Transfer applicants are subject to the same robust regulatory standards as new applicants directly applying for a Main Board listing. We believe this will have a positive impact on the overall quality of our markets.

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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper.

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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper.

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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper.

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.

We do not have a strong view on financial eligibility requirements.

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.

We do not have a strong view on financial eligibility requirements.

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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper. We believe that a longer post-IPO lock-up requirement will help address the shell company creation issue.

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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper. We have also observed that most GEM IPOs launched after the publication of the 2017 Joint Statement were marketed through a combination of placing and public offering (with the latter one representing 10% or more of the total offer size) or public offering only.

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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper.

(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.

We agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper. We have also observed that quite a number of GEM IPOs including both public and placing tranches that were launched after the publication of the 2017 Joint Statement have adopted the clawback mechanism in Practice Note 18 of the Main Board Listing Rules.

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.

We do not have a strong view on financial eligibility requirements.

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.

We do not have a strong view on financial eligibility requirements.

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.

We do not have a strong view on financial eligibility requirements.

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.

We do not have a strong view on financial eligibility requirements.

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.

We do not have a strong view on financial eligibility requirements.

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.

As mentioned in Q.7 above, we believe that a longer post-IPO lock-up requirement will help address the shell company creation issue for GEM. Although the shell company issue is of a lesser concern for Main Board, we believe controlling shareholders' post-listing commitment is beneficial to the issuers and so we agree with the proposal to increase the Main Board post-IPO lock-up requirements to match with the corresponding proposal for GEM.

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.

We prefer a holistic approach.

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