

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 to such proposal. Those requirements can enhance the safeguards to GEM investors. Appropriate due diligence and full disclosure can reflect the quality and performance of the GEM applicants for cross-border and overseas companies.

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 to such proposal. Since the share price of new listing GEM companies is always fluctuated widely. Stable and healthy track records on both financial and disciplinary aspects can give confident to the market during GEM transfer.

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 to retain current track record requirement. GEM is marketed to cater for SMEs. Current track record requirement (i.e. two financial years) can give support to SMEs on GEM listing. Main Board requirement may be too costly and unfavorable to the business development of SMEs.

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 to retain current practices. This can maintain a high degree of freedom and flexibility to the market and enterprises.

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 agree. Cash flow is an important indicator to the business performance of SMEs and this can improve the quality of listing applicants directly. We support to adjust to HK\$30 million which we believe that market impact is insignificant.

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 agree to increase the minimum market capitalisation requirement for GEM. Since the current market capitalisation requirement was introduced nine years ago. We support to adjust to HK\$150 million which is in line with the current economy development.

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 to increase such post-IPO lock-up requirement. This can directly enhance the level of corporate governance and prevent the substantially change in the management which may result in business disruption. This may also led to control the potential shell companies listed on GEM and protect investors in the public.

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 to introduce the mandatory public offering mechanism of at least 10% of total offer size for all GEM IPOs. This can prevent too high concentration of shareholders. Having a boarder shareholders base, the volatility of the share prices can be reduced. "Open" market can improve the transparency of the listed companies as well.

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.

For both (a) and (b), we agree with such proposal. This is not a material issue to GEM applicants in practical.

- (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.

For both (a) and (b), we agree with such proposal. This is not a material issue to GEM applicants in practical.

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 agree to increase the minimum public float value for GEM from HK\$30 million to HK\$45 million. Since the current minimum public float value was introduced nine years ago. We support to adjust to HK\$45 million which is in line with the current economy development.

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 agree to maintain current profit requirement.

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 agree to maintain the current level of profit under profit requirement. Current profit level is higher than major overseas markets. To maintain the competitiveness on Hong Kong financial market, we suggest to remain unchanged.

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 agree to increase the minimum market capitalisation requirement for Main Board. Due to the size of market capitalisation of GEM enterprises is increasing, we agree that with intention to preserve the Main Board's position as a market for larger companies, the requirement should adjust upward and in line with major overseas markets to attract large and prominent cross enterprises to Hong Kong.

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 agree to proportionately increase the minimum public float value for Main Board to reflect the economy development in Hong Kong.

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.

<p>We agree that it is appropriate to extend the post-IPO lock-up requirement for Main Board to match the corresponding proposal for GEM. We believe that extended post-IPO lock-up requirement is an important listing admission requirement for all GEM and Main Board applicants. This requirement is a commitment from the controlling shareholders of applicants to the public for development of the issuers' underlying businesses or assets according to their purpose of listing.</p>
--

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.

<p>We agree that proposal changes to the Main Board should be considered independently irrespective of the outcome of the proposals for GEM. Since the growth and positioning of Main Board are different with GEM, this is important to improve listing platform for larger companies to meet the global market demand.</p>
--

- End -