

## 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 the above proposal on the assumption that a separate sub-segment would be included in GEM to cater for the listing of pre-profit companies as suggested in our response to the Concept Paper of New Board, which is attached.

We also consider that repositioning GEM as a stand-alone board can help retain good GEM listed companies to continue to be listed on GEM.

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.

On the basis that the streamlined transfer process is removed and the requirement for a sponsor is re-introduced, we do not see the necessity of a time bar before an issuer can be considered for a 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.

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.

In a free market, issuers should be allowed to choose an appropriate board for fund raising based on their commercial justification.

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.

As suggested in our submission to the Concept Paper on the New Board, as attached, we propose to reinvent GEM with a separate sub-segment specifically catered for the listing of pre-profit companies. We are of an overall view that GEM should be revamped to maintain its competitiveness. As such, the Cashflow Requirement should remain unchanged to maintain its attractiveness for issuers.

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 realise that the minimum requirement of HK\$100 million was introduced back in 1998. Referring to the current economic environment, we recommend that the minimum market capitalisation requirement for GEM should be revised to HK\$200 million.

For pre-profit companies seeking to be listed on the specific sub-segment within GEM (as proposed in ACCA's submission in the attached), the minimum market capitalisation requirement should be set at a much higher level than that of companies seeking listing on GEM, given that there will be no financial eligibility criteria for these pre-profit entities. These entities have to demonstrate their promising business models which can attract sufficient investors to achieve a high market capitalisation.

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 suggest no change to the existing requirements in order to maintain the attractiveness of GEM. We are of the view that any lengthening of the post-IPO lock-up period should be a commercial decision made by the sponsor and the underwriters.

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.

This requirement should be applied to all GEM IPOs, including pre-profit companies seeking to be listed on the specific sub-segment within GEM. We also suggest aligning the GEM Listing Rules with that under rule 7.03 of the Main Board Listing Rules such that all offers for subscription by GEM applicants must be underwritten.

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.

This requirement should be applied to all GEM IPOs, including pre-profit companies seeking to be listed on the specific segment within GEM.

(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.

This requirement should be applied to all GEM IPOs, including pre-profit companies seeking to be listed on the specific segment within GEM.

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.

As we propose the minimum market capitalization requirement for GEM IPOs to be HK\$200 million and thus the minimum public float value of securities should be increased from HK\$30 million to HK\$60 million.

While we propose that the minimum market capitalization requirement for pre-profit companies seeking to be listed on the specific sub-segment within GEM should be higher than HK\$200 million, the minimum public float value of securities should be an amount based on 30% of the minimum market capitalisation requirement.

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.

We consider that any lengthening of the post-IPO lock-up period should be a commercial decision made by the sponsor and the underwriters.

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.

A holistic approach should be adopted and all the proposed changes to the Main Board and GEM together with the proposed New Board should be considered collectively in order to enhance the competitiveness of the Hong Kong capital market at a whole.

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