

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2018-Backdoor-and-Continuing-Listing/Consultation-Paper/cp201806.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree with the proposal to codify the assessment criteria under the principle based test in a Note to the proposed Rule 14.06B?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

The existing authority under Rule 14.06B plus the interpretation under GL78-14 have sufficiently served the purpose of preventing backdoor listing. Codification of the assessment criteria would suffocate the financial industry by shutting the door of structuring for the benefit of the issuer. This is not a proper way to protect investors' interest

2. Do you agree with the proposal to extend the current criterion "issue of restricted convertible securities" in the principle based test to include any change in control or de facto control of issuers?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

De facto change of control is too subjective and therefore should not become a definitive term without giving the issuer an opportunity to justify the genuine need of the issuer from a commercial standpoint

3. (a) As regards the “series of arrangements” criterion, do you agree with the proposal to include transactions and arrangements that take place in reasonable proximity or are otherwise related and normally within a three-year period?

☐ Yes

☒ No

If your answer is “No”, please give reasons for your views.

Two years are more than sufficient. A normal business cycle usually requires 18 to 24 months to turn around. A brilliant businessman should be allowed the freedom to modify his plan to weather the fast changing economic environment. Setting a 3 year boundary is denying the freewill of a proper businessman

- (b) Do you agree with the proposal to amend the RTO Rule 14.06B to clarify that a series of acquisitions may include proposed and/or completed acquisitions?

☐ Yes

☒ No

If your answer is “No”, please give reasons for your views.

The facts of each case may be different and the word “proposed” means that the suggestions stated in the proposal could be modified upon further negotiation or consideration which is normal when plans are being formulated

4. (a) Do you agree with the proposal to retain the bright line tests under Rules 14.06(6)(a) and (b) in a Note to the proposed Rule 14.06B?

☒ Yes

☐ No

If your answer is “No”, please give reasons for your views.

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(b) Do you agree with the proposal to extend the aggregation period from 24 months to 36 months under the bright line test currently set out in Rule 14.06(6)(b)?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

Two years are more than sufficient. A normal business cycle usually requires 18 to 24 months to turn around. A brilliant businessman should be allowed the freedom to modify his plan to weather the fast changing economic environment. Setting a 3 year boundary is denying the freewill of a proper businessman

5. (a) Do you agree with the proposed changes to Rule 14.92 (proposed Rule 14.06E) as described in paragraph 56 of the Consultation Paper?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

I support its framework but do not agree to extend the restricted period to 36 months for reasons stated in Q.5 above

(b) Do you agree with the proposal to add a Note to proposed Rule 14.06E as described in paragraph 59 of the Consultation Paper?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

We should not prevent an issuer to develop a new business through greenfield operation if such new business is good for the issuer. The proposed new criteria seem to have undermined the flexible & adaptive mind of HK businessmen which is the key to the success of HK

6. (a) Do you agree with the proposal to add a new Rule 14.06C for “extreme transactions” as described in paragraph 62 of the Consultation Paper?

☐ Yes

☒ No

If your answer is “No”, please give reasons for your views.

The requirement that "the issuer has been operating a principal business with substantial size which will continue after the transaction" is unreasonable because it deprives the issuer's right to turn around from a deteriorating business. As long as the new business is good for the issuer, we should not prevent the issuer from moving forward

- (b) Do you agree with the disclosure requirements for circulars of extreme transactions set out in proposed Rules 14.53A(1) and 14.69?

☐ Yes

☒ No

If your answer is “No”, please give reasons for your views.

Since extreme transactions are not considered as bankdoor listing, it should not be required to meet the new listing requirements

- (c) Do you agree with the due diligence requirements for extreme transactions under proposed Rule 14.53A(2)?

☒ Yes

☐ No

If your answer is “No”, please give reasons for your views.

7. (a) Do you agree with the proposal to amend Rule 14.54 and to add Rule 14.06C(2) as described in paragraph 69(i) of the Consultation Paper?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

Since extreme transactions are not considered as bankdoor listing, it should not be required to meet the new listing requirements

- (b) Do you agree with the proposal to amend Rule 14.54 to impose additional requirements on RTOs proposed by Rule 13.24 issuers as described in paragraph 69(ii) of the Consultation Paper?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

8. (a) Do you agree with the proposed Rule 14.57A to clarify the track record requirements for extreme transactions and RTOs that involve a series of transactions and/or arrangements?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

I do not agree to include "disposal" in counting the "series", otherwise, the rest of the proposed Rule 14.57A is agreeable

(b) Do you agree with the proposed Rule 4.30 that sets out the requirements for preparing pro forma income statement of all the acquisition targets in the entire series of acquisitions (where applicable, would include any new business developed by the issuer that forms part of the series) for the track record period?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

New business developed by the issuer should not be counted as part of the series because it would discourage issuers from doing business

9. Do you agree with the proposal to add a new Rule 14.06D to codify, with modification, the practice under Guidance Letter GL84-15 as described in paragraph 81 of the Consultation Paper?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

Suggest to modify in such a way that this Rule would not apply if there is no change of control even though there may be a large scale issuance of shares for cash

10. Do you agree with the proposal to require issuers to have a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the issuer's securities?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

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11. (a) Do you agree with the proposal to add a Note to the proposed Rule 13.24(1) as described in paragraphs 107 to 109 of the Consultation Paper?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

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- (b) Do you agree with the proposal to remove the Note to Rule 13.24 as described in paragraph 112 of the Consultation Paper?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

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12. Do you agree with the proposal to exclude an issuer's securities trading and/or investment activities (other than a Chapter 21 company) when considering the sufficiency of the issuer's operations and assets under Rule 13.24?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

<i>If Cash Company is not acceptable by HKEx, issuers who are able to make the best use of cash should not be discriminated</i>
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13. Do you agree with the proposal to extend the definition of short-dated securities in the cash company Rules to cover investments that are easily convertible into cash ("short-term investments")?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

There are many short-term investments available in the financial & investment market which should not be broadly counted as Cash. Investment is investment. Cash is cash. They are just different. HK doesn't have to follow Malaysia & Australia. HK is better than these markets in many aspects, including turnover which is admired by these countries

14. Do you agree with the proposal that the exemption under Rule 14.83 shall only be confined to clients' assets relating to the issuer's securities brokerage business?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

15. Do you agree with the proposal to confine the revenue exemption to purchases and sales of securities only if they are conducted by banking companies, insurance companies and securities houses within the listed issuers' group?

☐ Yes

☒ No

If your answer is "No", please give reasons for your views.

This is discrimination! Many elite traders do not work for banks & insurance companies

16. Do you agree with the proposal to require issuers to disclose in their annual reports details of each securities investment that represents 5% or more of their total assets (as described in paragraph 134 of the Consultation Paper)?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

17. Do you agree with the proposal to codify the requirements set out in Listing Decision LD75-4 (as described in paragraph 137 of the Consultation Paper) for significant distribution in specie of unlisted assets into the Rules?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

18. Do you agree with the proposal to require disclosure on any subsequent change and the outcome of any financial performance guarantee of a target acquired by the issuer in a notifiable or connected transaction as set out in paragraph 140 of the Consultation Paper?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

19. (a) Do you agree with the proposal to require disclosure on the identity of the parties to a transaction in the announcements and circulars of notifiable transactions?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

- (b) Do you agree with the proposal to require the disclosure on the identities and activities of the parties to the transaction and of their ultimate beneficial owners in the announcements of connected transactions?

☒ Yes

☐ No

If your answer is "No", please give reasons for your views.

20. Do you agree with the proposal that if any calculation of the percentage ratios produces an anomalous result or is inappropriate to the sphere of activities of the issuer, the Exchange (or the issuer) may apply an alternative size test that it considers appropriate to assess the materiality of a transaction under Chapter 14 or 14A?

☐ Yes

☒ No

If your answer is “No”, please give reasons for your views.

It is not fair to expose the issuer to open-ended or unpredictable measurement

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