

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/cp2017091.pdf>

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

1. Do you agree with our proposed MB Rule amendment to add a fixed period delisting criterion?

Yes

No

If your answer is "No", please explain why.

The mere act of adding a fixed period delisting criterion would have the effect of driving the share price of the listed issuer significantly down very soon on the announcement by the Stock Exchange that a certain company needed to be delisted by a certain fixed period, as investors will lose confidence immediately in the the stock.

This is unfair to those listed issuer whose management might be trying to fulfil its listing criteria, such as already seeking suitable sustainable business for the listed issuer or on the way of turning round the company, which will harm the shareholders of the listed issuer even more and inconsistent with the principle of offering better protection to all shareholders as a ultimate goal of the Stock Exchange.

The reputational damage made to the listed issuer arising from being ruled to be delisted after a fixed period will harm shareholders of listed issuer rather than achieving protection for shareholders as share price will shortly drop greatly.

2. Do you think the appropriate period under the fixed period delisting criterion should be:

12 months

18 months

24 months

Other _____ (please state)

Please also explain why.

Our view in Q1 do not agree to fixed period of delisting, hence the period is not relevant.

3. Do you agree with our proposed MB Rule amendment to allow the Exchange to delist an issuer under any applicable delisting criteria in MB Rule 6.01 immediately, or publish a delisting notice and give the issuer a period of time to remedy the relevant issues to avoid delisting?

Yes

No

If your answer is "No", please explain why.

As explained in Q1, the mere act of publishing a delisting notice already has the effect of immediately sending the share price of the listed issuer down, making it difficult for the management of listed issuer who are just negotiating potential business or finding methods for maintaining the listing status of the Company. It may cause immediate detrimental impact to the shareholders rather than better protecting the shareholder interest.

It is difficult to determine whether such act can protect shareholders as managers usually try their best to protect the company and all its shareholders and may be negotiating on potential deals that can maintain the listing status of the listed issuer.

4. Do you agree with our proposal to remove Practice Note 17 and to delist issuers without sufficient operations or assets under either the fixed period criterion or the new delisting process for MB Rule 6.01?

Yes

No

If your answer is "No", please explain why.

We do not agree to delist issuers without sufficient operations or assets under either the fixed period criterion or the new delisting process because
(a) The management of listed issuer has a duty and any manager will try their best to turn round the Company. It is only fair if the manager is given the chance to look for sufficient operations or assets for the listed issuer.

(b) If a controlling shareholder wants to privatise a listed issuer, then controlling shareholder can just go forward for delisting the listed issuer and there is no need to buy out the other shareholders at all.

5. Do you agree with our proposal to add a note to MB Rule 13.24 setting out the characteristics of issuers which are unable to comply with MB Rule 13.24?

Yes

No

If your answer is "No", please explain why.

6. Do you agree with our proposal to remove MB Rule 6.01(1)?

Yes

No

If your answer is "No", please explain why.

Exchange should set out a guideline for delisting clearly.

7. Do you agree with our proposal to clarify in MB Rule 2B.07(5) the applicable procedures for reviewing decisions to suspend or cancel a listing under MB Rule 6.01?

Yes

No

If your answer is "No", please explain why.

8. Do you agree with our proposed MB Rule amendment to require suspended issuers to announce quarterly updates?

Yes

No

If your answer is "No", please explain why.

9. Do you agree with the proposed transitional arrangements described in paragraph 52 of the consultation paper, and the proposed commencement dates of the fixed period under different situations?

Yes

No

If your answer is "No", please explain why.

As we expressed in answer to Q1 that we do not view imposing fixed period as beneficial to shareholders to the listed issuer, hence we do not agree to the proposed transitional arrangements.

10. Do you agree with our proposed GEM Rule amendment to add a fixed period delisting criterion?

Yes

No

If your answer is "No", please explain why.

As stated in our answers in Q1 above, since we do not view imposing fixed period is beneficial to shareholders to the listed issuer irrespective of whether they are Main Board or GEM Board listed, hence we do not agree to the proposed GEM Rule amendment to add a fixed period delisting criterion.

11. Do you think the appropriate period under the fixed period delisting criterion should be:

6 months

12 months

Other _____ (please state)

Please also explain why.

As stated in answer in Q 9,10, since we do not agree to fixed period, this become irrelevant.

12. Do you agree with the proposed transitional arrangement described in paragraph 59 of the consultation paper?

Yes

No

If your answer is "No", please explain why.

As stated in our answers in Q1 above, since we do not view imposing fixed period is beneficial to shareholders to the listed issuer, hence we do not agree to the proposed transitional arrangements.

13. Do you agree with our proposal to align the wording of GEM Rule 9.15 with MB Rule 6.10?

Yes

No

If your answer is "No", please explain why.

14. Do you agree with our proposal to remove GEM Rule 9.04(5)?

Yes

No

If your answer is "No", please explain why.

GEM Rule 9.04(5) provides that a severe breach of the GEM Rules is a specific ground for suspension and cancellation of listing, and clarify in GEM Rule 4.07(6) that decisions about cancellation of listing under Chapter 9 are to be made and reviewed under the procedures for non-disciplinary matters set out in Chapter 4, notwithstanding that the reasons for the cancellation include or amount to a breach of the GEM Rules by the listed issuer.

Retaining GEM Rule 9.04(5) will let Stock Exchange have the power and discretion to decide on what constitute "severe breach of the GEM rules" that is a specific ground for suspension and cancellation of listing, and treated under the procedures for non-disciplinary matters, and above procedure can achieve balance the aim of giving a fair trial to the listed issuer and time for finding out reasons and nature of breach and protecting shareholder interest

15. Do you agree with our proposal to clarify in GEM Rule 4.07(6) the applicable procedures for reviewing decisions to suspend or cancel a listing under Chapter 9 of the GEM Rules?

Yes

No

If your answer is "No", please explain why.

Our answer as stated in Q14 above explained that we viewed the procedures in GEM Rule 9.04(5) above is good enough to achieve its purpose and hence no need to further clarify in GEM Rule 4.07(6) which may cause confusion if further clarify.

16. Do you agree with our proposed GEM Rule amendment to require suspended issuers to announce quarterly updates?

Yes

No

If your answer is "No", please explain why.

17. Do you agree with our proposal to remove MB Rule 14.37(1) / GEM Rule 19.37(1)?

Yes

No

If your answer is "No", please explain why.

18. Do you agree with our proposal to remove MB Rule 14.37(2) / GEM Rule 19.37(2)?

Yes

No

If your answer is "No", please explain why.

19. Do you agree with our proposed MB / GEM Rule amendment to delegate authority to the Listing Department to direct resumption of trading and to provide for an accelerated review procedure?

Yes

No

If your answer is "No", please explain why.

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