

## 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.

In principle we agree to have a fixed period delisting criterion in order to avoid having companies being perpetually suspended. But we would like to emphasise that delisting a company should be a last resort because any delisting will penalise the shareholders across the board, especially minority shareholders, as pointed out in paragraph 26 of the consultation paper. If a company is delisted because of breach of listing rules or being deemed as unsuitable for listing due to reasons cited in paragraph 22, the Exchange or SFC should take enforcement and disciplinary actions against the directors and controlling shareholders according to law or impose other punitive measures as appropriate.

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

☐ 12 months

☐ 18 months

☐ 24 months

☒ Other 36 (please state)

Please also explain why.

As per our answer to Q.1, delisting should only be the last resort so as to protect the interests of minority shareholders. In this reasoning, the Exchange should give ample time to the suspended issuers to make remedial efforts. Paragraph 34 pointed out that of the 50 long suspended issuers whose securities resumed trading between 2012 and 2016 (excluding PN17 companies which are subject to a delisting process), 46 or 92% resumed trading within 36 months. With a view to encourage the most number of companies to resume trading, rather to have them delisted, the Exchange should set the fixed period at 36 months. This is also the period used by the ASX.

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.

Our answer here is Yes but would like to add that we have concerns as to the Exchange delisting an issuer immediately without giving the issuer the delisting notice and the opportunity to rectify and to remedy any breach of the Listing Rules or other breaches. We would expect that the Exchange will only delist an issuer immediately without giving the issuer the delisting notice only in extreme circumstances where the issuer is required to be delisted by law or where the issuer has already been liquidated. In other circumstances, the issuer should be given the delisting notice and may apply for resumption of trading if the conditions for resumption are met to the satisfaction of SFC and the Exchange.

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.

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.

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.

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.

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

☐ 6 months

☐ 12 months

☒ Other 36 (please state)

Please also explain why.

The same treatment should be given to all listed issuers whether they are listed on the Main Board or GEM Board.



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.

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.

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.

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.

- End -