QUESTIONNAIRE ON REVIEW OF THE GROWTH ENTERPRISE MARKET (GEM) AND CHANGES TO THE GEM AND MAIN BOARD LISTING RULES

We invite interested parties to respond to the Consultation Paper on Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules (**Consultation Paper**), which can be downloaded from the HKEX website at: http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017062.pdf

This Questionnaire contains the Privacy Policy Statement; Part A: General Information of Respondents; and Part B: Consultation Questions.

All responses should be made in writing by completing and returning to HKEX both Part A and Part B of this Questionnaire no later than **18 August 2017** by one of the following methods:

By mail or hand delivery to:

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Re: Consultation Paper on Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules

By fax to: (852) 2524-0149

By e-mail to: response@hkex.com.hk

Please mark in the subject line:

Re: CP on Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules

Our submission enquiry number is (852) 2840-3844.

The names of persons who submit comments together with the whole or part of their submissions may be disclosed to members of the public. If you do not wish your name to be published please indicate so in Part A.

Privacy Policy Statement

Hong Kong Exchanges and Clearing Limited and from time to time, its subsidiaries, affiliated companies controlling it or under common control with it and its joint ventures (each such entity, from time to time, being **"HKEX"**, **"we"**, **"us"** or an **"affiliate"** for the purposes of this Privacy Policy Statement as appropriate) recognises its responsibilities in relation to the collection, holding, processing, use and/ or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) (**"PDPO"**). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by HKEX is accurate. HKEX will use your personal data in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, as required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website, continued use by you of the HKEX website shall be deemed to be your acceptance of and consent to this Privacy Policy Statement.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels below.

HKEX will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your request.

Purpose

From time to time we may collect your personal data such as your name, mailing address, telephone number, email address and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571));
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis; and
5. other purposes directly relating to any of the above.

Direct marketing

Except to the extent you have already opted out or in future opt out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to our financial services and information services, and related financial services and information services offered by our affiliates.

If you do not wish to receive any promotional and direct marketing materials from HKEX or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels below.

Identity Card Number

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes

Except to the extent you have already opted out or in future opt out, we may transfer your name, mailing address, telephone number and email address to our affiliates for the purpose of enabling our affiliates to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

Other transfers of personal data

For one or more of the purposes specified above, the personal data may be:

1. transferred to our affiliates and made available to appropriate persons in our affiliates, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong; and
2. supplied to any agent, contractor or third party who provides administrative or other services to HKEX and/ or any of our affiliates in Hong Kong or elsewhere.

How we use cookies

If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

Session Cookies: temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each

page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

Persistent Cookies: cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEX website.

Compliance with laws and regulations

You agree that HKEX and its affiliates may be required to retain, process and/ or disclose your personal data in order to comply with applicable laws and regulations, or in order to comply with a court order, subpoena or other legal process, or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere). You also agree that HKEX and its affiliates may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our affiliates and employees.

Corporate reorganisation

As HKEX continues to develop its business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

Access and correction of personal data

Under the PDPO, you have the right to ascertain whether HKEX holds your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request HKEX to inform you of the type of personal data held by it. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data (**"Privacy Commissioner"**) which may be found on the official website of the Office of the Privacy Commissioner.

Requests for access and correction or for information regarding policies and practices and kinds of data held by HKEX should be addressed in writing and sent by post to us (see contact details below).

A reasonable fee may be charged to offset HKEX's administrative and actual costs incurred in complying with your data access requests.

Termination or cancellation

Should your account with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our affiliates and employees.

Contact us

By Post:
Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
12/F., One International Finance Centre
1 Harbour View Street
Central
Hong Kong

By Email:
pdpo@hkex.com.hk

Part A General Information of the Respondent

(1) Please state whether your response represents your personal or your company/ entity's view by checking (☑) the boxes below and filling in the information as appropriate:

☑ Company/ Entity view

Company/ Entity name*:	The Chamber of Hong Kong Listed Companies
Company/ Entity type*:	☐ Listed company ☐ HKEX Participant ☐ Investment Management Firm ☐ Corporate Finance Firm ☐ Law Firm ☐ Accountancy Firm ☑ Professional Body/Industry association ☐ None of the above (Type:)
Contact person*:	Mr/ Ms/ Mrs Mr. Mike Wong
Title:	Chief Executive Officer
Phone no.*:	2116 8922 Email address: mikewong@chklc.org

☐ Personal view

Respondent's full name*:	Mr/ Ms/ Mrs
Phone no.*:	Email address:
Among the following, please select the one best describing your position*:	
☐ Listed Company Staff	☐ HKEX Participant Staff ☐ Individual Investor
☐ Investment Management Staff	☐ Corporate Finance Staff ☐ Lawyer
☐ Accountant	☐ None of the above (Type:)

<u>Important note</u>: All fields marked with an asterisk (*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

(2) Disclosure of identity

HKEX may publish the identity of the respondent together with Part B of this response to the members of public. Respondents who do not wish their identities to be published should check the box below:

☐ I/ We do not wish to disclose my/ our identity to the members of the public.

Signature (with Company/ Entity Chop if the response represents company/ entity view)

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 proposition that the GEM Board be kept and positioned as a market for small to medium sized companies. This is important for providing a venue for this segment of companies to have access to the capital markets.

The GEM Board has been a key component of a multi-tier capital market of Hong Kong, with the Main Board catering to large sized and established companies, GEM Board for small- to medium-sized companies and the New Board for companies with non-standard governance structures. Companies in different cycles of development and special needs can be catered for.

Since the GEM board is for small- to medium sized companies and the Main Board for large and established companies, there is a logical relationship between the two and we prefer seeing a path of transition for GEM companies to move to the Main Board, as those GEM companies grow in size and mature in business.

The current proposal to abolish the Transfer Arrangement for GEM companies to the Main Board and requesting them to go through a near IPO exercise by having to appoint a sponsor and prepare a prospectus-standard document would be a huge financial burden to those GEM companies and is not necessarily beneficial to the interests of the shareholders as a whole. In general, we do not think it is necessary for those GEM companies that seek a Main Board listing to produce a prospectus–standard document. The reason is that those companies have already produced a prospectus when it was first listed on GEM, and under the current proposals they would need to have published and distributed at least two full financial years of audited financial statements after their GEM listings. As such, their business and financial positions are transparent enough. We therefore suggest that in lieu of a prospectus-standard document, the company needs only produce a shareholder circular but still need to appoint a sponsor to undertake due diligence and guide the company through the Main Board listing process. An exception would be for those companies who have significantly changed their business nature while listed on GEM. In these cases, there might be a need for a more detailed disclosure of the latest business situation. That said, with the various recent proposals to tighten up Reverse Takeovers Rules, there should have been adequate measures in place to safeguard against abuse.

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.

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.

Companies should be allowed to decide which board they wish to be listed on.

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.

In connection with our view that no New Board PRO should be established, GEM will be the main venue of listing for smaller companies or start-ups. We therefore believe that the listing requirements of the GEM Board should remain relatively low to facilitate the listing of those companies. We suggest that the cash flow and market capitalisation requirements be kept at the existing levels. We must stress that the market irregularities associated with GEM Board companies recently are not attributed to the size of the companies but stemmed from the behaviours of the controlling shareholders and connected parties of the problem companies. Such market irregularities can be rectified by stringent enforcement of applicable laws and regulations by the SFC and SEHK.

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.

See our answer to Q.5

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.

While we disagree with raising the quantitative requirments for GEM IPO applicants, we see the benefits of this proposal in locking in the commitment of the company controlling shareholders.

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.

While we disagree with raising the quantitative requirments for GEM IPO applicants, we see the benefits of this proposal in ensuring an open market of the stock.

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.

(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.

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.

Please see our answer to Q.5

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.

We believe there is room for the Main Board Listing Requirements to be revised upwards. But as we understand the HKEX is planning to conduct a separate consultation about the Main Board, we await the contents and proposals of that consultation.

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.

In general, we agree this should be revised upwards. But as we understand the HKEX is planning to conduct a separate consultation about the Main Board, we await the contents and proposals of that consultation.

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.

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.

- End -