



By email < response@hkex.cm.hk > and by post

18 August 2017

Our Ref.: C/CFC, M112691

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: (i) [New Board Concept Paper \("Concept Paper"\)](#)
(ii) [Consultation Paper on Review of the Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \("Consultation Paper"\)](#)

The Hong Kong Institute of Certified Public Accountants ("the Institute") welcomes the opportunity to provide comments on the subject papers in relation to capital market enhancements. The Concept Paper sets out proposals for the establishment of a New Board to open Hong Kong's capital markets to a broader range of issuers, while the Consultation Paper proposes to reposition GEM as a stand-alone board to serve small to medium-sized companies and to amend Listing Rules to address concerns on the quality and performance of GEM new listing applicants and listed issuers.

The Institute supports that HKEX should continuously review Hong Kong's listing regime and identify areas where the current regime could be strengthened and expanded in order to meet the evolving needs of investors and issuers and enhance Hong Kong's competitiveness as a global capital centre.

"New Economy" industries

The Institute supports that HKEX should review and, if appropriate, expand its listing framework so as to attract a more diverse range of companies to come to list in Hong Kong. While the Institute has no objection, in principle, to the establishment of a New Board to attract potential issuers which do not fit into the current listing regime, we have reservations on the proposal set out in the Concept Paper.

The proposed New Board is intended for "New Economy" industries but there is no generally accepted definition of New Economy¹.

We note that examples of "New Economy" industries are provided in the Concept Paper for demonstration but they need to be further clarified. For example, "Internet & Direct Market Retail" appears to relate to a new mode of operation by the retail industry, while "Software and Technology Hardware" appears to relate to new and innovative products.

¹ "New Economy", as defined under OECD Glossary of Statistical terms, describes aspects or sectors of an economy that are producing or intensely using innovative or new technologies. This relatively new concept applies particularly to industries where people depend more and more on computers, telecommunications and the Internet to produce, sell and distribute goods and services.

In view of the unclear scope, it could be argued that financial services industries such as banking and insurance industries, which continuously develop new products and services and apply new technologies in their operations, would also qualify as "New Economy" industries.

This "New Economy" concept, even if exists, is an evolving concept which can potentially embrace all new industries when technology is constantly being improved and/or any industry that use new technologies to partly or wholly produce, sell or distribute their goods and services. In our opinion, it is impractical to restrict the New Board to any particular industries and any attempt to draw a line will be arbitrary. Consequently, the New Board will simply be for companies that fail to satisfy existing listing requirements.

Companies with non-standard governance structure

--- We would draw attention to the Institute's position expressed in its response to the HKEX consultation on weighted voting rights ("WVR") submitted in November 2014 ("WVR submission", attached at Appendix 1). The Institute has no objection, in principle, to HKEX exploring the feasibility of permitting companies with different voting right structures to be listed in Hong Kong, but changes should not be made on a piecemeal basis without a holistic review of the implications of the WVR on investor protection. We reiterate our recommendations in the WVR submission for introducing wider changes to the corporate governance and regulatory framework in Hong Kong to maintain appropriate investor protection, and for educating the market and investors on the non-standard governance structure and the associated risks.

We maintain our view that companies with WVR structures would need to explain and justify the adoption of a WVR structure and have effective safeguards to protect the interests of ordinary shareholders before being permitted to be listed. Consideration should be given to impose restrictions or conditions on WVR structure that take into account the circumstances of each company to avoid abuses of WVR, such as:

- restrictions on the types of persons that can hold WVR
- restrictions on transfer of WVR to third parties
- requirements to impose a sunset clause on WVR structure.

The basic principle is to avoid abuse of the use of dual/ multiple class share structure to the disadvantage of other shareholders. The Institute considers that investor protection, which is central to Hong Kong's high regulatory standards and the core value of Hong Kong's securities market, should not be compromised.

New Board PRO and New Board PREMIUM

It is proposed in the Concept Paper that New Board PRO is targeted at earlier stage companies that do not meet the financial or track record criteria for GEM or the Main Board. New Board PREMIUM is targeted at companies that meet the existing financial and track record requirements of the Main Board, but which are currently ineligible to list in Hong Kong because they have non-standard governance structures.

We note that the proposed admission financial requirements, the vetting and approval process of new listing applicants and the continuous listing and corporate governance obligations of New Board PREMIUM issuers would be same as the Main Board, and,

this segment is open to both retail and professional investors. As such, it appears that there is little point in creating a New Board PREMIUM to accommodate companies with non-standard governance structures (e.g., WVR). Shares that carry different voting rights can be differentiated from other classes through use of different stock code and stock short names.

Given the above, we consider that there is no need for a separate New Board PREMIUM, and the New Board could simply be a listing venue for pre-profit/ early stage companies that do not meet the existing financial or track record eligibility requirements of the Main Board or GEM and for professional investors only (i.e., the New Board PRO). This would make the proposed listing framework, comprising three boards – New Board, GEM and Main Board, more distinctive and easier to understand. The New Board will be for companies which cannot fit into the current listing framework, while GEM will be re-positioned as a board for small to medium-sized companies and the Main Board for bigger-sized companies.

Given that a New Board PRO issuer would not involve an open offer to the public and only professional investors are eligible to participate, we consider that it is acceptable to adopt a light touch approach on the vetting process of New Board PRO applications.

Instead of applying the sponsor regime, it is acceptable that an applicant to list on New Board PRO would appoint a Financial Adviser, who would exercise its own professional judgement as to what extent of investigations and due diligence work are appropriate for the applicant.

Although it may not be necessary for a New Board PRO applicant to produce a prospectus-standard listing document, HKEX should have rules to set out certain specific items of information to be contained in the listing document, in particular the relevant financial information about the applicant and the level of due diligence work and assurance expected to be provided by certified public accountants on such information.

We do not have objection to the listing applications for the New Board PRO be vetted and approved by the Listing Department under delegated authority from the Listing Committee. Nevertheless, we recommend that there should be a mechanism for the Listing Department to regularly report back to the Listing Committee and seek Listing Committee's view whenever necessary.

In order to maintain the standard and reputation of the Hong Kong capital market, in particular from the investor protection perspective, we consider that applicants for listing on the New Board PRO should demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong, irrespective of their place of incorporation, except those apply for a secondary listing on New Board PRO and can demonstrate to the satisfaction of the Listing Department, or the Listing Committee, that they are unable to do so due to the restrictions and regulations of the exchange that they are primary listed.

Segmented approach

While there are merits to adopt a segmented approach with multiple listing boards as a means to cater for the different needs of different types of issuers and different risk appetite of different investors, we consider that the characteristics and the scope of each of the boards should be clearly delineated to avoid confusion. In addition, we



suggest that HKEX should provide a clear roadmap and mechanism of how a listed issuer can migrate its listing from one board to another, when the characteristics of an issuer have changed due to growth and development. Such information would be important for the issuer to plan for its future corporate finance strategies and also crucial to the success of the segmented approach and the attractiveness of each board.

The Consultation Paper proposes that the migration or transfer of its listing from GEM to the Main Board be treated as a Main Board new listing applicant. We are concerned that the proposed re-positioning of GEM and removal of the streamlined transfer process from GEM to Main Board might discourage SME with ambitions and potential to grow from listing on GEM. Reduction in capital raising activities will lead to decrease in the volume of trading on GEM, thereby turning GEM into an inactive board.

In addition, should a New Economy company initially listed on the New Board PREMIUM be allowed to migrate to the Main Board when its non-standard governance features ended or the industry in which it engaged no longer be considered as a New Economy industry? If so, how could this be done? Would it be required to withdraw its listing from the New Board PREMIUM before submission of an application to list on the Main Board? Or could it be traded on the New Board PREMIUM until it migrates its listing to the Main Board? We believe that if a listed issuer no longer has the characteristics for listing on a designated board/ segment and meets the listing criteria for another board/segment, there should be clear mechanism to facilitate their migration to a more suitable board/segment.

The Institute's comments on the detailed proposals in relation to the New Board and review of the GEM and changes to the GEM and Main Board listing rules are set out in
--- the questionnaires attached to this letter.

If you have any questions on this submission or wish to discuss it further, please contact me at the Institute by phone on 2287 7111 or email <raphaelding@hki CPA.org.hk> or Mary Lam, Director, Member Support by phone on 2287 7086 or email <mary@hki CPA.org.hk>.

Yours faithfully,

Raphael Ding
Chief Executive & Registrar

Enc.

QUESTIONNAIRE ON WEIGHTED VOTING RIGHTS

We invite interested parties to respond to the Concept Paper on Weighted Voting Rights, which can be downloaded from the HKEx website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2014082.pdf>

(“the Concept Paper”)

This Questionnaire contains: a Privacy Policy Statement; Part A: General Information of the Respondent; 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 **30 November 2014** 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: Concept Paper on Weighted Voting Rights

By fax to: (852) 2524 0149

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

Please mark in the subject line:

Re: Concept Paper on Weighted Voting Rights

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 this in Part A.

Definitions

The terms used in Part B of this questionnaire are defined in the “Definitions” section of the Concept Paper.

Part A General Information of the Respondent

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

Company view

Company name*:	Hong Kong Institute of Certified Public Accountants				
Company type*:	<i>HKEx Participant</i> :- <input type="checkbox"/> SEHK <input type="checkbox"/> HKFE				
	<input type="checkbox"/> HKSCC <input type="checkbox"/> SEOCH <input type="checkbox"/> HKCC				
	<input type="checkbox"/> Listed company <input checked="" type="checkbox"/> Professional body / Industry association				
	<input type="checkbox"/> Market practitioner <input type="checkbox"/> None of the above				
Contact person*:	Ms Mary Lam				
Title:	Director, Member Support				
Phone no.*:	2287 7086		Email address:	mary@hkcipa.org.hk	

Personal view

Respondent's full name*:	Mr/Ms/Mrs _____				
Phone no.*:	_____		Email address:	_____	
Among the following, please select the one best describing your position*:					
<input type="checkbox"/> Listed company staff <input type="checkbox"/> HKEx participant staff <input type="checkbox"/> Retail investor					
<input type="checkbox"/> Institutional investor <input type="checkbox"/> None of the above					

Important note: 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 tick the box below:

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

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

Part B Consultation Questions

Please reply to the questions below that are raised in the Concept Paper downloadable from the HKEx website at: [add link]. Please indicate your preference by ticking the appropriate boxes.

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

We encourage you to read all of the following questions before responding.

1. Should the Exchange¹ in no circumstances allow companies to use WVR structures?

Yes (in no circumstances allow companies to use WVR structures)

No

Please give reasons for your views below.

See Appendix.

Please only answer the remaining questions if you believe there are circumstances in which companies should be allowed to use WVR structures.

2. Should the Exchange permit WVR structures:

(a) for all companies, including existing listed companies; or

(b) only for new applicants (see paragraphs 147 to 152 of the Concept Paper);
or

(c) only for:

(i) companies from particular industries (e.g. information technology companies) (see paragraphs 155 to 162 of the Concept Paper), please specify below which industries and how we should define such companies;

¹ References to “the Exchange” in this Questionnaire mean The Stock Exchange of Hong Kong Limited, a HKEx subsidiary.

or

- (ii) “innovative” companies (see paragraphs 163 to 164 of the Concept Paper), please specify how we should define such companies below;

or

- (iii) companies with other specific pre-determined characteristics (for example, size or history), please specify with reasons below;

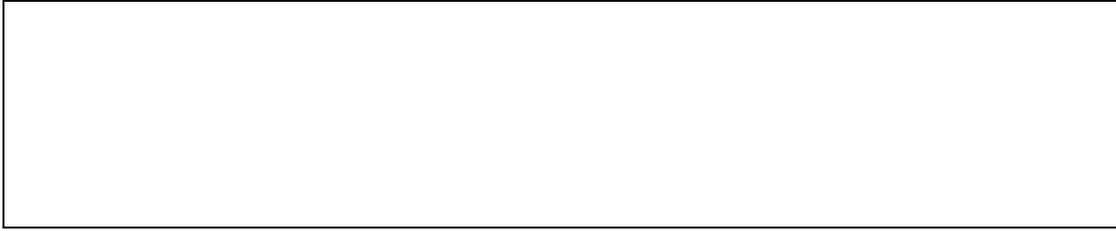
See Appendix.

or

- (d) only in “exceptional circumstances” as permitted by current Listing Rule 8.11² (see paragraph 81 of the Concept Paper) and, if so, please give examples below.

Please give reasons for your views below.

² GEM Rule 11.25.



If you wish, you can choose more than one of the options (b), (c) and (d) above to indicate that you prefer a particular combination of options.

3. If a listed company has a dual class share structure with unequal voting rights at general meetings, should the Exchange require any or all of the restrictions on such structures applied in the US (see the examples at paragraph 153 of the Concept Paper), or others in addition or in substitution?

Please identify the restrictions and give reasons for your views below.

The Institute considers that there are merits in each of the restrictions or measures adopted by US listed companies in order to limit the rights enjoyed by holders of multiple voting shares. It is considered that restrictions on transfer of such shares from the original owners to third parties are of utmost importance and hence, clear regulation should be developed to govern this aspect. The basic principle is to avoid abuse of the use of dual class share structure to disadvantage other shareholders.

Also, as the reasons for adopting a dual class share structure are different in different companies, it would be difficult to develop a set of general rule of law which fits all situations. The appropriateness of applicable restrictions or conditions should take into account the circumstance of each company and its reasons for adopting a dual class share structure to avoid the abuse of control. This could be explored in a further consultation.

4. Should other WVR structures be permissible (see Chapter 5 of the Concept Paper for examples), and, if so, which ones and under what circumstances?

Please give reasons for your views below. In particular, how would you answer Question 2 and Question 3 in relation to such structures?

We submit that the features, merits and associated risks of each of the WVR structures should be studied and considered carefully before any recommendation is made to introduce such structures to the Hong Kong stock market.

The Securities and Futures Commission and the Stock Exchange of Hong Kong should educate the market of the WVR concept and the associated risks. Investors, in particular the less sophisticated retail investors that make up a significant proportion of minority shareholders in Hong Kong, would need time to learn and understand the WVR framework.

Nevertheless, it is noted that many of the companies which would like to list with WVR structures are fast growing companies that competing exchanges would welcome. In order to bolster the attractiveness of the Hong Kong securities market, we suggest that the Stock Exchange should expedite its study of this subject, taking into account feedback from market practitioners and other stakeholders.

5. Do you believe changes to the corporate governance and regulatory framework in Hong Kong are necessary to allow companies to use WVR structures (see paragraphs 67 to 74 and Appendix V of the Concept Paper)?

Yes

No

If so, please specify these changes with reasons below.

As explained in our response to Q1, we believe that the introduction of WVR structures would require consideration of wider changes to the corporate governance and regulatory framework in Hong Kong to maintain appropriate levels of investor protection.

1. The existing Listing Rules, the Code on Takeovers and Mergers and the Companies Ordinance that make reference to percentage of shareholding or the number of shares may need to be extended to refer to a specified percentage of voting rights.

2. In order to avoid the abuse of minority shareholders, consideration should be given to raise the threshold for approval of connected party transactions with shareholders holding multiple voting rights, and to impose additional conditions to connected party transactions, as appropriate.

3. Companies using WVR structures may be required to comply with additional corporate governance measures, in particular on investor protection aspect, to safeguard the interest of shareholders. For example, composition of the board of such companies should comprise majority of independent non-executive directors.

4. As mentioned in our answer to Q3 above, there should be clear regulations on transfer of shares with multiple voting rights.

5. Relevant sections of the Securities and Futures Ordinance may need to be more clearly elaborated in order to provide the Securities and Futures Commission with ample authority to carry out investigation and enforcement roles on shareholders' behalf or for the purpose of shareholders' protection.

6. From a bigger picture perspective, consideration would need to be given to review Hong Kong's legislative framework to ensure investor protection is maintained and that investors could obtain appropriate legal redress for damages through private actions against listed companies. It is noted that in 2012, the Law Reform Commission of Hong Kong published some consideration on how mechanisms to enhance investor protection may be developed.

6. Do you have any comments or suggestions regarding the additional matters discussed in paragraphs 33 to 47 of the Concept Paper:

- (a) using GEM, a separate board, or a professional board to list companies with WVR structures (paragraphs 33 to 41 of the Concept Paper); and

The Institute is of the view that companies with WVR structures could be listed either on the main board or on the GEM, given that such companies and the different classes of shares can be clearly demarcated by the stock codes and the stock short names to enable investors know which companies are with WVR structures and the rights attached to any particular class of shares.

- (b) the prospect of overseas companies seeking to list for the first time on the Exchange with a WVR structure or seeking a further primary or secondary listing here (see paragraphs 44 to 47 of the Concept Paper)?

No specific view.

7. Do you have any other comments or suggestions regarding WVR structures?

We suggest that the proposed arrangements tailored-made for companies with WVR structures, if they were allowed to be listed in Hong Kong, would not be extended to the dual class share structure company currently listed on the Stock Exchange, as the company already has a long history of listing in Hong Kong and its existing arrangements have been well accepted by the market.

- End -

Question 1

The Hong Kong Institute of Certified Public Accountants (the "Institute") is aware that there are divergent views in the market towards the concept of weighted voting right ("WVR") structures. The WVR concept may not be welcome by some investors as it takes rights away from public shareholders, and they perceive that this hurts the market. Institutional investors may fear that they will be marginalised by the company's founding members or management. Having said, since WVR structures are more common in the developed markets in the world, this suggests that there are some understandable and good reasons to have them.

The Institute welcomes the Hong Kong Exchanges and Clearing ("HKEx") provides a concept paper setting out relevant background information to facilitate an open public debate on the concept of WVR structures, and whether there are any merits on permitting companies with WVR structures to be listed on the Stock Exchange of Hong Kong.

While the Institute has no objection, in principle, to HKEx exploring the feasibility of permitting companies with WVR structures to be listed on the Stock Exchange of Hong Kong, we recommend that HKEx should carefully consider whether WVR structures would be fit for Hong Kong under Hong Kong's existing legal regime, which limits the options for shareholder actions against listed companies and their directors. We are mindful of the importance of investor protection, which is central to Hong Kong's high regulatory standards. This core value of Hong Kong's securities market should not be compromised.

The Institute considers that introducing the WVR concept to the Hong Kong stock market not only will lead to a significant change to the general principle (i.e., fair and equal treatment of shareholders) of the existing Listing Rules and the Code on Takeovers and Mergers, but will also have great impact on, for example, investor protection and shareholders' redress aspects, which merit review. We are concerned that consideration of individual issues on a piecemeal basis, without the benefit of seeing a coherent overall picture, could result in inconsistent and fragmented changes. We strongly recommend, therefore, that HKEx should move forward conservatively to gauge feedback from market practitioners and other stakeholders and conduct a comprehensive study of the implications of the WVR structures on various different aspects, in particular, whether the existing legal and regulatory regimes should be modified. All relevant aspects would need to be examined carefully and holistically.

Furthermore, we consider that it would be more meaningful to evaluate the suitability of introducing the WVR concept to Hong Kong with reference to the future direction and positioning of the Hong Kong securities market, say, over the next decade, as part of a broader and macro scope. It would be helpful if HKEx could provide further information about its medium- and long-term strategic outlook for the development of the Hong Kong securities market, which may shed light on this complex, technical subject. We understand that the recently launched Shanghai-Hong Kong Stock Connect is aimed to enhance capital market connectivity between Mainland China and Hong Kong via establishing mutual stock market access. Nevertheless, since China's legal regime prohibits companies from using WVR structures, we are afraid that allowing companies with WVR structures to list in Hong Kong may be inconsistent with the regulatory harmonisation which underpins Hong Kong's greater integration with the Mainland stock markets.

From the perspective of bolstering the competitiveness of Hong Kong as an international financial centre of global significance, in particular, as the leading financial centre for the listing and trading of Mainland Chinese enterprises outside Mainland, we note that in addition to the United States (on NYSE or NASDAQ), where a number of Mainland Chinese companies have chosen to be primary listed, Singapore is also a potential competitor to Hong Kong.

Hong Kong and Singapore are the two Asian exchanges that are suitable for listing of Mainland Chinese companies in view of their legal requirements, language, tax and foreign exchange. At present, there are 57 Mainland Chinese companies primary listed in Singapore. Although Singapore currently restricts the use of WVR structures by listed companies, it has recently amended its Companies Act to permit public companies in Singapore to offer shares with multiple voting rights in order to give them greater flexibility in raising capital and provide investors with a wider range of investment opportunities. It is logical to predict that the next step will most likely be for the Singapore Stock Exchange to allow companies with WVR structures to list.

It is noted from the concept paper that there were 102 Mainland Chinese companies primary listed on the US exchanges as at end of May 2014. Only 30 of them have a WVR structure. Since the US and Hong Kong exchanges intensify their competition as the international listing venue of choice for Mainland Chinese enterprises, it is useful to also understand the reasons for the remaining companies which have chosen to list on the US exchanges, as it appears that listed with a WVR structure is not the only reason.

Question 2(c)(iii)

We consider that approval for listing of companies with WVR structures should not be granted as a matter of routine. The listing applicant should be able to explain and justify, to the satisfaction of the Listing Division and the Listing Committee, that it has good reasons to adopt a WVR structure. In addition, the listing applicant should be able to also demonstrate that it has an effective mechanism to safeguard the interests of ordinary shareholders.

QUESTIONNAIRE ON THE NEW BOARD PROPOSAL

We invite interested parties to respond to the New Board Concept Paper (“Concept Paper”), which can be downloaded from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017061.pdf>

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

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

By mail or
hand delivery to Hong Kong Exchanges and Clearing Limited
 12/F, One International Finance Centre
 1 Harbour View Street
 Central
 Hong Kong

Re: New Board Concept Paper

By fax to (852) 2524-0149

By e-mail to response@hkex.com.hk
 Please mark in the subject line:
 Re: New Board Concept Paper

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*:	Hong Kong Institute of Certified Public Accountants				
Company/Entity type*:	<i>HKEX Participant</i> : <input type="checkbox"/> SEHK <input type="checkbox"/> HKFE <input type="checkbox"/> HKSCC <input type="checkbox"/> SEOCH <input type="checkbox"/> HKCC <input type="checkbox"/> Listed company <input checked="" type="checkbox"/> Professional body / Industry association <input type="checkbox"/> Market practitioner (Type: _____) <input type="checkbox"/> None of the above				
Contact person*:	Mr/Ms/Mrs Mary Lam				
Title:	Director, Member Support				
Phone no.*:	2287 7086	Email address:	mary@hkicpa.org.hk		

Personal view

Respondent's full name*:	Mr / Ms / Mrs _____				
Phone no.*:	_____	Email address:	_____		
Among the following, please select the one best describing your position*:					
<input type="checkbox"/> Listed company staff	<input type="checkbox"/> HKEX participant staff	<input type="checkbox"/> Retail investor			
<input type="checkbox"/> Institutional investor staff	<input type="checkbox"/> None of the above				

Important note: 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 Chop if the response represents company/entity view)

Part B Consultation Questions

Please reply to the questions below that are raised in the Concept Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017061.pdf>

Please indicate your preference by checking the appropriate boxes.

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

1. What are your views on the need for Hong Kong to seek to attract a more diverse range of companies and, in particular, those from New Economy industries to list here? Do you agree that the New Board would have a positive impact on Hong Kong's ability to attract additional New Economy issuers to our market?

Please give reasons for your views.

Refer to our comments in the covering letter, in particular those under the heading of "New Economy" industries.

2. What are your views on whether the targeted companies should be segregated onto a New Board, rather than being included on the Main Board or GEM?

Please give reasons for your views.

Refer to our comments in the covering letter.

3. If a New Board is adopted, what are your views on segmenting the New Board into different segments according to the characteristics described in this paper (e.g. restriction to certain types of investor, financial eligibility etc.)? Should the New Board be specifically restricted to particular industries?

Please give reasons for your views.

Refer to our comments in the covering letter, in particular those under the heading of New Board PRO and New Board PREMIUM. We are of the view that there is no need for a separate New Board PREMIUM, and the New Board could simply be a listing venue for pre-profit/ early stage companies that do not meet the existing financial or track record eligibility requirements of the Main Board or GEM and for professional investors only (i.e., the New Board PRO).

As explained in the covering letter, we do not consider it necessary to restrict the New Board PRO to any particular industries.

4. What are your views on the proposed roles of GEM and the Main Board in the context of the proposed overall listing framework?

Please give reasons for your views.

Refer to our comments in the covering letter and our response to the consultation paper on review of GEM and changes to the Listing Rules.

5. What are your views on the proposed criteria for moving from New Board PRO to the other boards? Should a public offer requirement be imposed for companies moving from New Board PRO to one of the other boards?

Please give reasons for your views.

For a company listed on New Board PRO wishing to list on GEM or the Main Board to attract retail investors, it should have to meet all the admission criteria and other listing requirements of the relevant board and be treated as a new listing applicant, i.e. appoint a sponsor to conduct due diligence for the application, publish a prospectus standard listing document and follow the public offer requirement of the relevant board.

6. What are your views on the proposed financial and track record requirements that would apply to issuers on New Board PRO and New Board PREMIUM? Do you agree that the proposed admission criteria are appropriate in light of the targeted investors for each segment?

Please give reasons for your views.

Refer to the comments in our covering letter and our response to Q3, we do not see the need for a New Board PREMIUM.

We agree that the proposed admission criteria for New Board PRO, as set out in the Concept Paper, are appropriate as it is open to professional investors only.

7. What are your views on whether the Exchange should reserve the right to refuse an application for listing on New Board PRO if it believes the applicant could meet the eligibility requirements of New Board PREMIUM, GEM or the Main Board?

Please give reasons for your views.

We believe that a company should be given the discretion to apply for listing on a board that it wishes so long as it can meet the eligibility requirements of that particular board.

8. What are your views on the proposed requirements for minimum public float and minimum number of investors at listing? Should additional measures be introduced to ensure sufficient liquidity in the trading of shares listed on New Board PRO? If so, what measures would you suggest?

Please give reasons for your views.

We have no objection to the proposed requirements for minimum public float and minimum number of investors at listing.

We do not see the need to introduce additional measures to ensure sufficient liquidity in the trading of shares listed on New Board PRO, at least at the initial stage, in order to gauge the market response. This could be subject to a further review after the New Board PRO has been up and running for a certain period of time.

9. What are your views on whether companies listed on a Recognised US Exchange that apply to list on the New Board should be exempted from the requirement to demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong? Should companies listed elsewhere be similarly exempted?

Please give reasons for your views.

Applicants for listing on the New Board PRO should demonstrate that they are subject to shareholder protection standards equivalent to those of Hong Kong, except those apply for a secondary listing on the New Board PRO and can demonstrate to the satisfaction of the Listing Department, or the Listing Committee, that they are unable to do so due to the restrictions and regulations of the exchange on which they are primary listed.

10. What are your views on whether we should apply a “lighter touch” suitability assessment to new applicants to New Board PRO? If you are supportive of a “lighter touch” approach, what relaxations versus the Main Board’s current suitability criteria would you recommend?

Please give reasons for your views.

We agree that a "lighter touch" suitability assessment could be applied to new applicants to New Board PRO in order to attract a more diverse range of industries to list in Hong Kong.

11. What are your views on whether the New Board PRO should be restricted to professional investors only? What criteria should we use to define a professional investor for this purpose?

Please give reasons for your views.

The New Board PRO should be restricted to professional investors who meet the standard of professional investor under the Securities and Futures Ordinance.

12. Should special measures be imposed on Exchange Participants to ensure that investors in New Board PRO-listed securities meet the eligibility criteria for both the initial placing and secondary trading?

Yes

No

Please give reasons for your views.

In view of the high risk potentially arising from issuers listed on the New Board PRO, their securities might not be suitable for retail investors. Therefore, we consider that there should be measures imposed on Exchange Participants to ensure that investors in the New Board PRO securities meet the eligibility criteria for both the initial placing and secondary trading.

13. What are your views on the proposal for a Financial Adviser to be appointed by an applicant to list on New Board PRO, rather than applying the existing sponsor regime? If you would advocate more prescriptive due diligence requirements, what specific requirements would you recommend be imposed?

Please give reasons for your views.

No objection to the appointment of a Financial Adviser for New Board PRO listing, rather than applying the existing sponsor regime.

14. What are your views on the proposed role of the Listing Committee in respect of each segment of the New Board?

Please give reasons for your views.

We believe it would be sufficient that applications for listing on the New Board PRO be vetted and approved by the Listing Department under delegated authority from the Listing Committee. Nevertheless, we recommend that there should be a mechanism for the Listing Department to regularly report back to the Listing Committee and seek Listing Committee's view whenever necessary.

15. Do you agree that applicants to listing on New Board PRO should only have to produce a Listing Document that provided accurate information sufficient to enable professional investors to make an informed investment decision, rather than a Prospectus? If you would advocate a more prescriptive approach to disclosure, what specific disclosures would you recommend be required?

Yes

No

Please give reasons for your views.

Although it may not be necessary for a New Board PRO applicant to produce a prospectus-standard listing document, HKEX should have rules to set out certain specific items of information to be contained in the listing document, in particular the relevant financial information about the applicant and the level of due diligence work and assurance expected to be provided by certified public accountants on such information.

16. What are your views on the proposed continuous listing obligations for the New Board? Do you believe that different standards should apply to the different segments?

Please give reasons for your views.

In view of the high risk nature of New Board PRO-listed companies, it is proposed to add the following to their continuous listing obligation:

(i) appoint a qualified accountant to look after the finance function, at least for the initial period, say, 3 years.

(ii) comply with the Corporate Governance Code and Corporate Governance Report section c.2 in relation to risk management and internal control.

17. For companies that list on the New Board with a WVR structure, should the Exchange take a disclosure-based approach as described in paragraph 153 of this Concept Paper? Should this approach apply to both segments of the New Board?

Please give reasons for your views.

We do not agree that the Exchange should take a disclosure-based approach for listing of companies with a WVR structure.

Refer to our comments in the covering letter, under the heading of companies with non-standard governance structure, we are of the view that companies with WVR structures would need to explain and justify the adoption of a WVR structure and have effective safeguards to protect the interests of ordinary shareholders before being permitted to be listed. Consideration should be given to impose relevant restrictions or conditions on WVR structure taking into account the circumstance of each company and its reasons for adopting a dual or multiple class structure to avoid the abuse of control. Examples of such safeguards include:

- restrictions on the type of persons that can hold WVR shares
- restrictions on transfer of WVR shares to third parties
- requirement to have sunset clause on WVR structure

Reference could be made to other exchanges on the various conditions and safeguards.

18. If, in addition, you believe that the Exchange should impose mandatory safeguards for companies that list on the New Board with a WVR structure, what safeguards should we apply? Should the same safeguards apply to both segments of the New Board?

Please give reasons for your views.

Same comments as Q17.

19. Do you agree that the SEHK should allow companies with unconventional governance features (including those with a WVR structure) to list on PREMIUM or PRO under the “disclosure only” regime described in paragraph 153 of the Concept Paper, if they have a good compliance record as listed companies on NYSE and NASDAQ? Should companies listed elsewhere be similarly exempted?

Please give reasons for your views.

Same comments as Q17, which should apply generally to companies with unconventional governance features irrespective of their original place of listing.

20. What are your views on the suspension and delisting proposals put forward for the New Board?

Please give reasons for your views.

We propose that the continuous suspension period of a New Board PRO listed issuer be extended from 90 calendar days to at least 6 months before its listing is to be cancelled, as 90 days is too short to take any remedial action.

In addition, a clear appeal mechanism of delisting decision should be provided in the Listing Rules.

21. Should New Board-listed companies have to meet quantitative performance criteria to maintain a listing? If so, what criteria should we apply? Do you agree that companies that fail to meet these criteria should be placed on a “watchlist” and delisted if they fail to meet the criteria within a set period of time?

Please give reasons for your views.

We do not see the need to require New Board PRO-listed companies to meet quantitative performance criteria to maintain a listing, at least at the initial stage, in order to gauge the market response. This could be subject to a further review after the New Board has been up and running for a certain period of time.

22. Do you consider that an even “lighter touch” enforcement regime should apply to the New Board (e.g. an exchange-regulated platform)?

- Yes
 No

Please give reasons for your views.

We suggest that this could be subject to a further review after the New Board PRO has been up and running for a certain period of time.

- End -

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

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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.

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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*:	Hong Kong Institute of Certified Public Accountants		
Company/ Entity type*:	<input type="checkbox"/> Listed company <input type="checkbox"/> HKEX Participant <input type="checkbox"/> Investment Management Firm <input type="checkbox"/> Corporate Finance Firm <input type="checkbox"/> Law Firm <input type="checkbox"/> Accountancy Firm <input checked="" type="checkbox"/> Professional Body/Industry association <input type="checkbox"/> None of the above (Type: _____)		
Contact person*:	Mr/ Ms/ Mrs	Mary Lam	
Title:	Director, Member Support		
Phone no.*:	2287 7086	Email address:	mary@hkipa.org.hk

Personal view

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

Important note: 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 with the proposal to re-position GEM as a board to serve small to medium-sized listed issuers. Accordingly, it is more appropriate to change the name of the board to "SME Board" to properly reflect its position rather than renaming it as "GEM" which does not have any meaning and is not reflective of the type of its listing applicants or listed issuers.

We consider that the re-introduction of 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 should apply only when there is public offering of shares in GEM Transfers. Otherwise, such requirements would only significantly increase the transaction costs of the listed issuer but with little benefit/ value-add to the existing shareholders, as the existing GEM listed issuers should have already had a period of track record and complied with all the continuous listing obligations.

The current proposal is to change the GEM into a board for SMEs. However, it is not uncommon that a smaller company initially listed on GEM will grow to meet the admission requirements of the Main Board and there may be good reasons for it to migrate to the Main Board. If GEM listed issuers are discouraged from migrating to the Main Board due to the stringent requirements and process and the high transaction costs involved (as they will be treated as new Main Board listing applicants), we are concerned that the proposals would discourage the listing of companies on GEM and reduce the liquidity of stocks trading, turning GEM into an inactive board.

We are of the view that a streamlined process for GEM transfer should be retained. The existing transfer process should be reviewed and enhanced but not to the extent equivalent to treat the transfer as a Main Board new application.

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.

We do not agree to make this a mandatory requirement. Nevertheless, we believe that GEM listed issuers are more willing to migrate their listings to the Main Board if there is a streamlined process for such transfer. See also our response to Q1.

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 GEM is now proposed to be re-positioned as a board for SMEs, it is more appropriate to align its listing requirements with those of the Main Board but at a lower amount. Accordingly, we propose that the cashflow requirement be replaced by a profit requirement over the two years track record period. The level of profit could be determined later. An initial suggestion is an aggregate of HK\$20 million for the track record period.

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.

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.

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.

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.

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.

It is noted that there are already alternative tests for a Main Board listing applicant to meet the basic conditions for listing - profit test; market cap/revenue/cash flow test; or market cap/revenue test.

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.

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 -