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

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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  
12<sup>th</sup> 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](mailto: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.

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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.

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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:

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

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## **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](mailto: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*: ACCA Hong Kong	
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	Ms Sonia Khao
Title: _____	Head of Membership
Phone no.*: _____	2973 1113
Email address: _____	sonia.khao@accaglobal.com

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.

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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 above proposal on the assumption that a separate sub-segment would be included in GEM to cater for the listing of pre-profit companies as suggested in our response to the Concept Paper of New Board, which is attached.

We also consider that repositioning GEM as a stand-alone board can help retain good GEM listed companies to continue to be listed on GEM.

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.

On the basis that the streamlined transfer process is removed and the requirement for a sponsor is re-introduced, we do not see the necessity of a time bar before an issuer can be considered for a GEM Transfer.



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.

In a free market, issuers should be allowed to choose an appropriate board for fund raising based on their commercial justification.

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 suggested in our submission to the Concept Paper on the New Board, as attached, we propose to reinvent GEM with a separate sub-segment specifically catered for the listing of pre-profit companies. We are of an overall view that GEM should be revamped to maintain its competitiveness. As such, the Cashflow Requirement should remain unchanged to maintain its attractiveness for issuers.

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.

We realise that the minimum requirement of HK\$100 million was introduced back in 1998. Referring to the current economic environment, we recommend that the minimum market capitalisation requirement for GEM should be revised to HK\$200 million.

For pre-profit companies seeking to be listed on the specific sub-segment within GEM (as proposed in ACCA's submission in the attached), the minimum market capitalisation requirement should be set at a much higher level than that of companies seeking listing on GEM, given that there will be no financial eligibility criteria for these pre-profit entities. These entities have to demonstrate their promising business models which can attract sufficient investors to achieve a high market capitalisation.

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.

We suggest no change to the existing requirements in order to maintain the attractiveness of GEM. We are of the view that any lengthening of the post-IPO lock-up period should be a commercial decision made by the sponsor and the underwriters.

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.

This requirement should be applied to all GEM IPOs, including pre-profit companies seeking to be listed on the specific sub-segment within GEM. We also suggest aligning the GEM Listing Rules with that under rule 7.03 of the Main Board Listing Rules such that all offers for subscription by GEM applicants must be underwritten.

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.

This requirement should be applied to all GEM IPOs, including pre-profit companies seeking to be listed on the specific segment within GEM.

(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.

This requirement should be applied to all GEM IPOs, including pre-profit companies seeking to be listed on the specific segment within GEM.

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.

As we propose the minimum market capitalization requirement for GEM IPOs to be HK\$200 million and thus the minimum public float value of securities should be increased from HK\$30 million to HK\$60 million.

While we propose that the minimum market capitalization requirement for pre-profit companies seeking to be listed on the specific sub- segment within GEM should be higher than HK\$200 million, the minimum public float value of securities should be an amount based on 30% of the minimum market capitalisation requirement.

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.

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.

We consider that any lengthening of the post-IPO lock-up period should be a commercial decision made by the sponsor and the underwriters.

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.

A holistic approach should be adopted and all the proposed changes to the Main Board and GEM together with the proposed New Board should be considered collectively in order to enhance the competitiveness of the Hong Kong capital market at a whole.

- End -