



31 August 2018

Hong Kong Exchanges and Clearing Limited  
10th Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

BY EMAIL AND BY POST

Dear Sir / Madam,

**Re: Submission to Consultation Paper on Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments**

The Chamber of Listed Companies is pleased to submit its response to the Consultation Paper of the Stock Exchange of Hong Kong Limited (the Exchange) on Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments.

We understand the Exchange's intention is to raise the threshold for backdoor listing and make it difficult for assets or businesses that do not fulfil the listing requirements in the first place to get listed and to prevent issuers that are not suitable for listing from being used as "shells" or be maintained as such as the vehicle for backdoor listings.

In principle we could agree that backdoor listings that attempt to circumvent the listing requirements be restricted and to channel any such backdoor listings to the formal listing application process as a reverse takeover (RTO). Many of the proposed rule changes in this consultation paper, such as the codification of the assessment criterion for RTOs, treatment for extreme VSA etc., are also acceptable since they are already in practice.

There is however one area that we disagree with and that is to do with the proposed rule changes dealing with issuers that have failed to comply with Rule 13.24 (13.24 issuers). We are of the view that those changes may actually hurt the interests of minority shareholders and cause instability to the market, contrary to what this consultation exercise sets out to achieve.

Proposal A (6) (a) suggests to amend Rule 14.54 to impose additional requirement that for a 13.24 issuer to undertake an RTO and extreme transactions, each of the acquisition target(s) and the enlarged group must meet all the new listing requirements in Chapter 8 of the Listing Rules. In many instances, a 13.24 issuer would resort to asset injection, be it RTO or not, as a means to revive their business in order to re-comply with Rule 13.24. Under the new proposed rule, this has become more challenging as it is no longer sufficient for the injected assets themselves to meet the listing requirements, but they must have big enough profits to cover existing losses, if any. We believe this is a tall order. The main objective of the RTO proposals is to prevent assets or businesses that are not suitable for listing from getting listed. If the injected assets themselves can fulfil the listing requirements, such worry does not exist – there is no "circumvention of new listing" to speak of. Although the enlarged group may still fall short of the full listing requirements, particularly Rule 8.05, the asset injection signifies an important first step towards corporate recovery and should not be hindered.

If this proposed rule is to stand, we foresee negative effects to the market.

Many 13.24 issuers would not be able to come up with an asset injection proposal that could salvage them from their present situation and they would face the eventual fate of delisting. That would not be in the best interests of their minority shareholders. There are many reasons a company fails to fulfill Rule 13.24, such as a receding industry; intensifying trade wars, or a change of market environment which makes the original products or services obsolete. The original majority shareholders may lack the will or resources to develop a new business. Without new assets or businesses injected into them, be it RTO or not, it is difficult for these issuers to revive themselves and the minority shareholders would have no hope to recoup their investments. Forcing these issuers to delisting would mean depriving the minority shareholders of any residual value of their original investments.

We have seen in the past when suspended companies, many of them 13.24 companies, resumed trading after an asset acquisition, their share price registered a positive gain, thus providing a favorable chance for minority shareholders to exit.

Set out below is the share price performance of prolonged suspended companies (many of them 13.24 companies) which had successfully resumed trading in their shares on the Stock Exchange after injection of new assets or businesses which fulfills Rule 13.24 through RTO since 1 January 2013. Their performance is better, and way less volatile, than most IPOs. This type of rescued listed issuers should not be the target for delisting.

| Issuer (stock code)   | New asset/ business injected through RTO | Share price performance after resumption as compared with issue prices of securities issued as consideration for the RTO |                      |                      |                  |
|---|--|--|----------------------|----------------------|------------------|
|   |  | 1 <sup>st</sup> Day  | 90 <sup>th</sup> Day | 1 <sup>st</sup> Year | As at 1 Aug 2018 |
| Daqing Dairy Holdings Limited (1007) <sup>Note1</sup>           | PRC hotpot chain                         | 182.9%   | NA                   | NA                   | 143.9%           |
| Jiande International Holdings Limited (865)                     | PRC property developing business         | 82.3%  | 32.3%                | 53.8%                | 32.3%            |
| China Display Optoelectronics Technology Holdings Limited (334) | LCD module manufacturing business        | 734.3%   | 288.6%               | 85.7%                | 82.9%            |
| Fullshare Holdings Limited (607)                                | PRC property developer business          | 196.0%   | 420.0%               | 960.0%               | 6,480.0%         |
| Z-Obee Holdings Limited (948) <sup>Note2</sup>                  | Reactivation of business                 | 45.8%  | 109.9%               | NA                   | 93.1%            |
|   | <b>Average</b>                           | <b>248.3%</b>  | <b>212.7%</b>        | <b>366.5%</b>        | <b>1,366.4%</b>  |

Note:

1. *Trading in the shares of Daqing Dairy Holdings Limited resumed on 6 July 2018.*
2. *Trading in the shares of Z-Obee Holdings Limited resumed on 30 November 2017 through reviving the existing business of the issuer to satisfy Rule 13.24, which did not constitute a RTO.*

By a rough estimate, there are about 100 issuers at present not fulfilling Rule 13.24, or on the verge of being so. If they all end up being delisted, the number of shareholders affected will not be small, in hundreds of thousands. The degree of market, or even social, instability caused by delisting should not be underestimated.

We would like to reiterate that the Exchange has the responsibility of protecting the interests of minority shareholders, which is also one of the objectives of this round of consultation. Forcing a large number of issuers to delisting by imposing onerous requirements defy this responsibility.

Any means to stop backdoor listing should not be done at the detriment of minority shareholders.

We would also like to add that, while the Exchange wishes to stamp out backdoor listings, most of them are not evil in nature. On the contrary, quite a number of prominent listed issuers came to the Hong Kong stock market through RTO, even for state-owned enterprises, such as Sinofert Holdings Limited, CIMC Enric Holdings Limited, Shanghai Industrial Urban Development Group Limited as well as a few blue chip companies like Geely Automobile Holdings Limited, the predecessor of Citic Limited and the predecessor of PCCW Limited. They now operate substantial business without causing any market mishaps. Even the consultation paper states that the issues of backdoor listings and shell activities are limited to a small segment of the market. We believe that such limited problematic cases can be dealt with by targeted enforcement. The effects will be direct and focused and not cause collateral damage on a whole lot of other issuers that have no ill-intentions.

On this basis, we answered the other questions in the questionnaire, separately enclosed.

Yours sincerely,  
For and on behalf of  
The Chamber of Hong Kong Listed Companies



Mike Wong  
Chief Executive Officer

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## QUESTIONNAIRE ON BACKDOOR LISTING, CONTINUING LISTING CRITERIA AND OTHER RULE AMENDMENTS

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We invite interested parties to respond to the Consultation Paper on Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments (**Consultation Paper**), which can be downloaded from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2018-Backdoor-and-Continuing-Listing/Consultation-Paper/cp201806.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 **31 August 2018** by one of the following methods:

By mail or  
hand delivery to: Hong Kong Exchanges and Clearing Limited  
10th Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

**Re: Consultation Paper on Backdoor Listing,  
Continuing Listing Criteria and Other Rule  
Amendments**

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: Consultation Paper on Backdoor Listing,  
Continuing Listing Criteria and Other Rule  
Amendments**

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 (together the "**Group**") (and each being "**HKEX**", "**we**", "**us**" or "**member of the Group**" for the purposes of this Privacy Policy Statement as appropriate) recognise their 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 us is accurate. We will use your personal data which we may from time to time collect 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, where 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 or otherwise, continued use by you of the HKEX website or your continued relationship with us shall be deemed to be your acceptance of and consent to this Privacy Policy Statement, as amended from time to time.

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 set out in the "Contact Us" section below.

We 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 requests, applications, subscriptions or registrations, and may not be able to perform or discharge the Regulatory Functions (defined below).

## **Purpose**

From time to time we may collect your personal data including but not limited to your name, mailing address, telephone number, email address, date of birth 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)) ("Regulatory Functions");
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;
5. to process your application for employment or engagement within HKEX to assess your suitability as a candidate for such position and to conduct reference checks with your previous employers; and
6. other purposes directly relating to any of the above.

## **Direct marketing**

Where you have given your consent and have not subsequently opted 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 HKEX financial services and information services, and financial services and information services offered by other members of the Group.

If you do not wish to receive any promotional and direct marketing materials from us 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 set out in the "Contact Us" section below. To ensure that your request can be processed quickly please provide your full name, email address, log in name and details of the product and/or service you have subscribed.

## **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 we may transfer your name, mailing address, telephone number and email address to other members of the Group for the purpose of enabling those members of the Group to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

## **Other transfers of your personal data**

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

1. transferred to other members of the Group and made available to appropriate persons in the Group, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong;
2. supplied to any agent, contractor or third party who provides administrative, telecommunications, computer, payment, debt collection, data processing or other services to HKEX and/or any of other member of the Group in Hong Kong or elsewhere; and
3. other parties as notified to you at the time of collection.

## **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**

HKEX and other members of the Group 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 (whether in Hong Kong or elsewhere), or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere) or to perform or discharge the Regulatory Functions. HKEX and other members of the Group 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 employees, or to perform or discharge the Regulatory Functions.

## **Corporate reorganisation**

As we continue to develop our 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 we hold your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request us to inform you of the type of personal data held by us. 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 or via this link:

<https://www.pcpd.org.hk/english/publications/files/Dforme.pdf>

Requests for access and correction of personal data or for information regarding policies and practices and kinds of data held by us should be addressed in writing and sent by post to us (see the "Contact Us" section below).

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



## **Termination or cancellation**

Should your account or relationship 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 employees, and for performing or discharging our functions, obligations and responsibilities.

## **General**

If there is any inconsistency or conflict between the English and Chinese versions of this Privacy Policy Statement, the English version shall prevail.

## **Contact us**

By Post:  
Personal Data Privacy Officer  
Hong Kong Exchanges and Clearing Limited  
50/F., One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

By Email:  
[DataPrivacy@HKEX.COM.HK](mailto:DataPrivacy@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*: | <b>The Chamber of Hong Kong Listed Companies</b>   |                |                           |
| Company/ Entity type*: | <input type="checkbox"/> Listed Company <input type="checkbox"/> HKEX Participant<br><input type="checkbox"/> Investment Management Firm <input type="checkbox"/> Corporate Finance Firm<br><input type="checkbox"/> Law Firm <input type="checkbox"/> Accountancy Firm<br><input checked="" type="checkbox"/> Professional Body / Industry Association<br><input type="checkbox"/> None of the above (Type: _____ ) |                |                           |
| Contact person*:       | Mr/Ms/Mrs <b>Mike Wong</b>   |                |                           |
| Title:                 | <b>Chief Executive Officer</b>   |                |                           |
| Phone no.*:            | <b>2116 8922</b>   | Email address: | <b>mikewong@chkcl.org</b> |

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 the 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 that are raised in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2018-Backdoor-and-Continuing-Listing/Consultation-Paper/cp201806.pdf>

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

1. Do you agree with the proposal to codify the assessment criteria under the principle based test in a Note to the proposed Rule 14.06B?

Yes

No

If your answer is “No”, please give reasons for your views.

***When applying the assessment criteria, the Exchange is urged to take an overall approach but not just focus on one single criterion. For example, an issuer may choose to embark on a greenfield project in response to the rapidly changing market conditions in order to sustain the company. It may need to hire a new CEO or even appoint new directors who are familiar with the new business ventures. Such business development and change of personnel are necessitated by genuine business needs and may not necessarily signal a change of control of de facto control and therefore should not be deemed as an attempted RTO.***

2. Do you agree with the proposal to extend the current criterion “issue of restricted convertible securities” in the principle based test to include any change in control or de facto control of issuers?

Yes

No

If your answer is “No”, please give reasons for your views.

3. (a) As regards the “series of arrangements” criterion, do you agree with the proposal to include transactions and arrangements that take place in reasonable proximity or are otherwise related and normally within a three-year period?

Yes

No

If your answer is “No”, please give reasons for your views.

***We believe that 24-month period will be a sufficient anti-avoidance period and 36-month period is too long. If the objective is to kill off all shell activities, we have argued in our cover letter that not all shell activities are evil but may provide an exit to minority shareholders. The Exchange must strike a balance.***

- (b) Do you agree with the proposal to amend the RTO Rule 14.06B to clarify that a series of acquisitions may include proposed and/or completed acquisitions?

Yes

No

If your answer is “No”, please give reasons for your views.

4. (a) Do you agree with the proposal to retain the bright line tests under Rules 14.06(6)(a) and (b) in a Note to the proposed Rule 14.06B?

Yes

No

If your answer is “No”, please give reasons for your views.

(b) Do you agree with the proposal to extend the aggregation period from 24 months to 36 months under the bright line test currently set out in Rule 14.06(6)(b)?

Yes

No

If your answer is “No”, please give reasons for your views.

***We believe that 24-month period will be a sufficient anti-avoidance period and 36-month period is too long. If the objective is to kill off all shell activities, we have argued in our cover letter that not all shell activities are evil but may provide an exit to minority shareholders. The Exchange must strike a balance.***

5. (a) Do you agree with the proposed changes to Rule 14.92 (proposed Rule 14.06E) as described in paragraph 56 of the Consultation Paper?

Yes

No

If your answer is “No”, please give reasons for your views.

***We believe that 24-month period will be a sufficient anti-avoidance period and 36-month period is too long. If the objective is to kill off all shell activities, we have argued in our cover letter that not all shell activities are evil and may provide an exit to minority shareholders. The Exchange must strike a balance.***

(b) Do you agree with the proposal to add a Note to proposed Rule 14.06E as described in paragraph 59 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

6. (a) Do you agree with the proposal to add a new Rule 14.06C for "extreme transactions" as described in paragraph 62 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

***1) For an acquisition or a series of acquisitions of assets to be classified as "extreme transaction", one of the conditions is the issuer has been operating a principal business of a substantial size (Rule 14.06C (1)(a) -- having annual turnover or total asset value of HK\$1 billion or more as defined in paragraph 64 of the Consultation Paper. Such HK\$1 billion threshold is very high. Even the revenue test for new listing is being set at half a billion HK\$. The implication here is that smaller companies could be seen as "shells" and are more likely to have their deals classified as RTOs and made subject to more stringent listing approval process. This is not fair. A rough estimate shows that around 700 listed issuers on the Stock Exchange at present are below the HK\$1 billion mark. The Exchange must not be overly discriminating when assessing the transactions of these smaller companies and classify them as shell activities readily, restricting their business development and expansion.***

***2) We note in draft Rule 13.87B (under Appendix I) that the financial adviser appointed must hold a Type 6 license and "permitted under its license or certificate of registration to undertake the work of a sponsor" – this last qualification will make many financial advisers not qualified to advise and undertake due diligence for extreme transactions. Given that this is not an IPO, the financial adviser may be normal financial adviser holding Type 6 license but not sponsor license.***

(b) Do you agree with the disclosure requirements for circulars of extreme transactions set out in proposed Rules 14.53A(1) and 14.69?

Yes

No

If your answer is "No", please give reasons for your views.

(c) Do you agree with the due diligence requirements for extreme transactions under proposed Rule 14.53A(2)?

Yes

No

If your answer is "No", please give reasons for your views.

7. (a) Do you agree with the proposal to amend Rule 14.54 and to add Rule 14.06C(2) as described in paragraph 69(i) of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.



(b) Do you agree with the proposal to amend Rule 14.54 to impose additional requirements on RTOs proposed by Rule 13.24 issuers as described in paragraph 69(ii) of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

***We believe the amendment is too harsh and make it very difficult for 13.24 companies to meet the continuous listing requirements again via a RTO. We believe it is more reasonable to require that the acquisition targets to fulfil the listing requirements, or the enlarged group, but not both.***

8. (a) Do you agree with the proposed Rule 14.57A to clarify the track record requirements for extreme transactions and RTOs that involve a series of transactions and/or arrangements?

Yes

No

If your answer is "No", please give reasons for your views.

(b) Do you agree with the proposed Rule 4.30 that sets out the requirements for preparing pro forma income statement of all the acquisition targets in the entire series of acquisitions (where applicable, would include any new business developed by the issuer that forms part of the series) for the track record period?

Yes

No

If your answer is "No", please give reasons for your views.

9. Do you agree with the proposal to add a new Rule 14.06D to codify, with modification, the practice under Guidance Letter GL84-15 as described in paragraph 81 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

10. Do you agree with the proposal to require issuers to have a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of the issuer's securities?

Yes

No

If your answer is "No", please give reasons for your views.

***We caution the Exchange to be careful when assessing the amount of assets held by issuers. Many businesses have become asset-light, particularly for those operating in the new economy, e.g. online booking platforms, or co-sharing economy, yet they operate a high level of operation. So just by looking at the amount of assets may not be a reliable assessment. We do not wish to see companies being discriminated just by how they choose to operate their business.***

11. (a) Do you agree with the proposal to add a Note to the proposed Rule 13.24(1) as described in paragraphs 107 to 109 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

***It is important that the Exchange takes a more holistic view when assessing whether an issuer is compliance with Rule 13.24. It is however not always a clear-cut matter to tell if a business has substance or is viable or sustainable or not, especially when the assessor is not familiar with business running. If this is a qualitative test, it is important the Exchange executives be equipped with knowledge about the intricacies of the specific industry that they are dealing with. But this is not always easy for an outsider. While the onus is on the issuer to explain they are in compliance, the Exchange also needs to be open minded and sensible in understanding the business intricacies of the issuer.***

(b) Do you agree with the proposal to remove the Note to Rule 13.24 as described in paragraph 112 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

***Further to our thinking in the answer to the previous question, an assessment based solely or mostly on qualitative judgement might lack in clarity and be prone to disputes. The existing Note to Rule 13.24 at least provides some objective and measurable parameters which allow for better clarity and predictability of the rules. It is important that a balance be struck between qualitative and quantitative assessments.***

12. Do you agree with the proposal to exclude an issuer's securities trading and/or investment activities (other than a Chapter 21 company) when considering the sufficiency of the issuer's operations and assets under Rule 13.24?

Yes

No

If your answer is "No", please give reasons for your views.

13. Do you agree with the proposal to extend the definition of short-dated securities in the cash company Rules to cover investments that are easily convertible into cash ("short-term investments")?

Yes

No

If your answer is "No", please give reasons for your views.

***The proposed definition is too loose, and some of the characteristics described are hard to pin down, e.g. "notes which have maturity of over 1 year and are intended to be held for less than 1 year", "investments that are readily realizable or convertible to cash". In the former case, how can the Exchange determine the "intention"? The latter case can apply to many types of investments, including properties held for investment, for in a free market, properties are readily divestible to willing buyers if the price is right. Under this proposed definition, many issuers would easily be deemed as cash companies and unsuitable for listing. This is very dangerous.***

14. Do you agree with the proposal that the exemption under Rule 14.83 shall only be confined to clients' assets relating to the issuer's securities brokerage business?

Yes

No

If your answer is "No", please give reasons for your views.

15. Do you agree with the proposal to confine the revenue exemption to purchases and sales of securities only if they are conducted by banking companies, insurance companies and securities houses within the listed issuers' group?

Yes

No

If your answer is "No", please give reasons for your views.

16. Do you agree with the proposal to require issuers to disclose in their annual reports details of each securities investment that represents 5% or more of their total assets (as described in paragraph 134 of the Consultation Paper)?

Yes

No

If your answer is "No", please give reasons for your views.

17. Do you agree with the proposal to codify the requirements set out in Listing Decision LD75-4 (as described in paragraph 137 of the Consultation Paper) for significant distribution in specie of unlisted assets into the Rules?

Yes

No

If your answer is "No", please give reasons for your views.

18. Do you agree with the proposal to require disclosure on any subsequent change and the outcome of any financial performance guarantee of a target acquired by the issuer in a notifiable or connected transaction as set out in paragraph 140 of the Consultation Paper?

Yes

No

If your answer is "No", please give reasons for your views.

19. (a) Do you agree with the proposal to require disclosure on the identity of the parties to a transaction in the announcements and circulars of notifiable transactions?

Yes

No

If your answer is "No", please give reasons for your views.

- (b) Do you agree with the proposal to require the disclosure on the identities and activities of the parties to the transaction and of their ultimate beneficial owners in the announcements of connected transactions?

Yes

No

If your answer is "No", please give reasons for your views.

20. Do you agree with the proposal that if any calculation of the percentage ratios produces an anomalous result or is inappropriate to the sphere of activities of the issuer, the Exchange (or the issuer) may apply an alternative size test that it considers appropriate to assess the materiality of a transaction under Chapter 14 or 14A?

Yes

No

If your answer is "No", please give reasons for your views.

- End -