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Emperor Corporate Finance Limited
Company/Organisation view
Corporate Finance Firm / Bank

Question 1
Do you agree that an alternative eligibility test should be introduced to enable the listing of high growth enterprises substantively engaged in R&D activities on GEM?

No

Please give reasons for your views.

While we agree with the Exchange's goal of facilitating listings of high growth enterprises that are heavily engaged in R&D activities (the "R&D Companies"), we believe there is a better approach than the proposed market capitalisation/ revenue/ R&D test. Rather than introducing inconsistent and arbitrary listing requirements for R&D Companies, the existing cash flow test can be adjusted to accommodate these listing applicants in a simple and consistent manner.

I. Appropriateness of the R&D test

While opposing the overall alternative test, it is agreed that requiring (i) a minimum R&D expenditure threshold of HK$30 million; and (ii) a minimum R&D expenditure ratio (the ratio of R&D expenditure to total operating expenditure) of 15% in each of the two financial years is appropriate, as it is meaningful test to indicates a level of resource allocation towards R&D that is sufficient to support a GEM listing applicant's growth.

Using aligned definitions of R&D expenditure from the Main Board guidance is also sensible for consistency.

II. Problems with the proposed market capitalisation/ revenue/ R&D test

The proposed market capitalisation/ revenue/ R&D test appear to reference the Exchange's listing regime for commercialized Specialist Technology Companies on the Main Board (as noted in paragraph 71 of the Consultation Paper). However, there are fundamental differences in the market positioning between Main Board and GEM that must be recognised.

On the Main Board, it is interpreted that the enhanced requirements for Specialist Technology Companies, like higher market capitalization and imposing revenue thresholds for the

Commercial Company, aims to mitigate the risks associated with a lack of profit history, when most other Main Board applicants have demonstrated its profitability. In contrast, GEM is positioned as a market specifically serving SMEs, at which firms listed intrinsically carry higher risks compared to the more established firms listed on the Main Board.

Unlike the Main Board, GEM has never stipulated minimum revenue or profit prerequisites for applicants. Therefore, from a risk perspective, it would be inequitable to impose elevated standards exclusively on R&D Companies seeking a GEM listing as there is no basis to consider R&D Companies as representing higher risks compared to other GEM listings applicants.

In addition, neither the rationale nor thresholds set for both the higher market capitalisation (HK$250 million) and the new revenue requirements (aggregate of HK$100 million over the two financial year track record period prior to listing) are clearly substantiated. Their subjectivity contrasts the clear quantitative metrics of the existing cash flow test.

III. Inequitable market capitalisation undermine GEM's function as an incubator of SMEs

The proposal to impose a higher minimum market capitalization of HK$250 million exclusively on R&D companies seeking a GEM listing raises equity issues. Market capitalization is dependent on various factors such as economic conditions, market sentiment and investor appetite, but rather than solely due to company’s fundamentals of the R&D Company. A higher threshold risks unfairly precluding fundamentally sound R&D companies for reasons outside their control.

Furthermore, as discussed, all GEM applicants accept higher risks as SMEs. Imposing more restrictive access solely on R&D Companies appears inequitable without evidence they carry higher risks compared to other GEM candidates. This different treatment also undermines GEM’s role as an incubator for emerging growth companies across sectors.

IV. Enhanced working capital sufficiency requirement instead of revenue test

We proposed to adopt an Adjusted Cash Flow Test as discussed in the next sub-session. Under the Adjusted Cash Flow Test, the Exchange’s concerns of additional revenue test (as noted in paragraph 67 and 68 of the consultation paper) would be resolved.

As the Exchange questions the sustainability of applicant, instead of revenue tests, an enhanced working capital sufficiency requirement could address business sustainability concerns more directly.

For instance, requiring R&D Companies to demonstrate sufficient working capital to cover at least 18 months of operations, rather than the typical 12 months, would provide a longer runway to progress towards profitability. This extended threshold would account for the potential additional time such companies may require to commercialize innovations and achieve break-even. Another approach could be made reference to the listing of a “mineral company” as defined under Chapter 18 of the Main Board Listing Rules and Chapter 18A of the GEM Listing Rules and the listing of a “biotech company” as defined under Chapter 18A of the Main Board Listing Rules, applicant must demonstrate that it has available sufficient working capital of 125% of its working capital needs for the next 12 months from the date pf the publication of the investment circular.

Working capital adequacy is assessed based on a company's specific cash burn rate and financial position. Thus, it inherently adjusts to the circumstances of each applicant, rather than being a one-size-fits-all benchmark such as imposing generalised higher standards like market cap or revenue requirements. This makes it a more precise and equitable tool to evaluate sustainability.

V. An improved approach with the R&D/Adjusted Cash Flow Test

While the Exchange's motivation to design a specialized framework for R&D Companies is understandable, there are prudent alternatives that can fulfill the policy objectives without setting uneven standards. Specifically, by keeping the proposed R&D test, the existing cash flow test can be adjusted to seamlessly accommodate R&D Companies while upholding consistency across GEM applicants.

The adjustment would involve adding back R&D expenditures to net cash flows from operating activities, while retaining the requirement for positive cash flow from operating activities before changes in working capital and taxes paid of at least HK$30 million in aggregate over the 2 years. This integrates R&D Companies within the prevailing cash flow standards, rather than developing a separate test.

This adapts the existing standard to facilitate R&D Companies while maintaining consistent and rigorous requirements across all GEM applicants.

In effect, it is a solution that provides fair accommodation within the prevailing framework, while avoiding unequal standards or arbitrary thresholds. It merits thoughtful consideration as an approach that heightens GEM's appeal for listings of emerging innovative enterprises, while upholding the balance between innovation and investor protection that is core to Hong Kong's capital markets.

Question 2

Do you have any comments on the proposed thresholds for the alternative eligibility test as set out in paragraphs 63 to 75 of the Consultation Paper?

Please give reasons for your views.

Question 3

Do you agree with the proposal to reduce the post-IPO 24 month lock-up period imposed on controlling shareholders of GEM issuers to 12 months as set out in paragraph 76 of the Consultation Paper?

Yes

Please give reasons for your views.

Following the 2018 Market Quality Reforms, the post-IPO lock-up requirement on controlling shareholders was extended from one year to two years with an aim to address shell activities and prevent companies listing for the perceived premium attached to the listing status. Undoubtedly, the extended post-IPO lock-up requirement restricts controlling shareholders from disposing their equity interest shortly after listing. It, however, virtually delayed GEM listed issuers' post-listing equity fundraising activities, which may in turn hinder its business development.

We agree that post-IPO lock–up requirement provides greater confidence to the investors, especially on the controlling shareholders' commitment to the business. Nevertheless, it should not be an obstacle to a GEM listed issuer in developing its business. Therefore, we are of the view that the lock-up period of 12 months, which is in line with the Main Board requirement and similar to that of Selected Overseas Junior Markets, provides sufficient confidence to the investors without jeopardising GEM listed issuers' business development.

In addition, as stated in the Guidance Letter HKEX-GL68-13A, despite some controlling shareholders have voluntarily provide lock-up undertakings to the applicant beyond the requirements under the Listing Rules, it does not in and of themselves address the Exchange's

concerns over the suitability of listing. We agree that the prolonged lock-up period is no longer considered to be necessary as there are relevant rules and guidance in place and the market players have been actively eliminating shell activities as a result of the joint efforts of the Exchange and the SFC.

Question 4

Should any other existing eligibility requirement for a listing on GEM be amended?

No

If so, please state the requirement(s) that should be amended and give reasons for your views.

Question 5

Do you agree with the proposed consequential and housekeeping amendments to the reverse takeover and extreme transaction Rules as set out in paragraphs 81 and 82 of the Consultation Paper?

Yes

Please give reasons for your views.

Without prejudice to our response regarding initial listing requirements in Question 1 above, we agree that the Exchange shall consider granting waivers from strictly compliance of management and/or ownership continuity requirements to all listed issuers regardless of which eligibility test that they have met. Therefore, relevant housekeeping amendments shall be made correspondingly with the consultation conclusion.

Question 6

Do you agree with the Exchange's proposal to remove GEM's compliance officer requirement as set out in paragraph 85(a) of the Consultation Paper?

Yes

Please give reasons for your views.

We affirm that applicants' and listed issuers' directors already bear the responsibility of overseeing company compliance. These directors would have undergone requisite training to gain adequate expertise regarding pertinent laws and regulations. Additionally, they can continually consult professional parties, including legal and financial advisors, to further bolster their understanding.

Question 7

Do you agree with the Exchange's proposal to shorten the period of engagement of GEM issuers' compliance advisers and to remove the additional obligations currently imposed on a GEM issuer's compliance adviser as set out in paragraphs 85(b) and 86 of the Consultation Paper?

Yes

Please give reasons for your views.

There should be parity between Main Board and GEM issuers in this regard. Differentiating between the two would be incongruous given their equivalent status as listed public companies.

Question 8

Should any other continuing obligation currently applicable to a GEM listed issuer also be removed?

Yes

If so, please state the requirement(s) and give reasons for your views.

We believe GEM issuers warrant considerable flexibility in shareholders' approval prerequisites for major transactions and above. GEM companies typically have relatively much lower total assets, revenue, profits, and market capitalization than Main Board issuer since they are SMEs. However, for corporate actions and exercises, Main Board and GEM issuers both follow the same standard which is percentage ratio under Chapter 14 (Chapter 19 for GEM) of the Listing Rules. In contrast with Main Board issuers boasting substantial scale in most cases, GEM companies are disadvantaged as they have small sizes for all the denominators of the percentage ratio, particularly consideration ratio. We believe that alternative measures shall be imposed to facilitate GEM issuers and therefore energizing the GEM.

By the nascent nature of it, GEM issuers frequently need additional and frequent funding to expand their operations, also mergers and acquisitions to continuously develop their businesses. As GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange, we propose GEM Listing Rules to embrace a more disclosure-driven approach akin to NASDAQ. For example, it is only necessary for NASDAQ issuers to obtain shareholders' approval when there is material connected interest, issuance of new shares equal to or in excess of 20% of the voting power, and change of control of the issuer.

Under current GEM Listing Rules, GEM issuers must publish circulars and convene special general meetings for shareholder approval of transaction exceeding 25% of any percentage ratio. We suggest amending the rules so shareholder consent is only essential when percentages surpass 75% for applicable acquisitions, with controlling shareholders abstaining to represent independent shareholders' interests. We believe this would lower costs for GEM issuers executing transactions to enable growth.

Additionally, under present standards, notifiable transactions may be deemed as reverse takeover should the Stock Exchange is of the view that such transaction means to circumvent the requirement of Listing Rules for a new listing applicant. This framework hinders GEM issuers, who generally have substantially lower total assets, revenue, profits and market capitalization versus Main Board companies. Despite exhibiting steady 2-3 year growth, GEM firms may struggle to action acquisitions given their relatively smaller scale. We again propose that GEM implement more balanced, principles-driven methodology for assessing reverse takeovers, and express approval track for reverse takeovers, should the Stock Exchange deem such transactions imperative for GEM issuers to enforce critical fundamental business changes.

The Stock Exchange should consider allowing more relaxed measures for GEM issuers to pursue vertical mergers when their core business deteriorates. As small and medium enterprises, GEM issuers often lack the resources to withstand substantial business declines. In such cases, the Stock Exchange could relax its reverse takeover restrictions and allow these issuers to acquire suppliers, customers, or other vertical partners. This facilitates their pivot into new but related business areas when the original business loses steam. To provide accountability, shareholders can vote on proposed vertical mergers in a special general meeting. The Stock Exchange should weigh the merits of each case and grant exemptions accordingly. Providing this flexibility will give struggling GEM issuers a viable path forward during challenging times. With appropriate shareholder input and Stock Exchange oversight, vertical mergers can offer a lifeline to these companies in need of urgent business model changes.

This expedited process would apply when the rationale is that the issuer's existing business is failing or unable to deliver growth. While current protocols suit sophisticated Main Board issuers, holding smaller GEM companies to the same thresholds appears disproportionate. This encumbers their aptitude to evolve through strategic acquisitions.

Furthermore, after a trading suspension, issuers must satisfy the Stock Exchange's resumption conditions within the allotted remediation period. This period is currently 18 months for Main Board issuers per Rule 6.01A(1) and 12 months for GEM issuers per GEM Rule 9.14A(1). To align the rules and provide consistent requirements, we strongly recommend amending the GEM Rule to match the 18-month remedial period for Main Board issuers under Rule 6.01A(1). Aligning these remediation periods across both boards will provide equitable standards and timeframes for issuers to resolve suspension issues.

Question 9

Do you agree with the Exchange’s proposal to remove quarterly financial reporting as a mandatory requirement for GEM issuers and instead introduce it as a recommended best practice in GEM's Corporate Governance Code?

Yes

Please give reasons for your views.

The mandatory requirement of quarterly financial reporting was initially introduced under the "buyer beware" philosophy to ensure that informed decisions could be made by the investors given the "high risk" nature of GEM companies. However, following the reform of GEM over the years, we believe that GEM listed issuers are as well established as Main Board listed issuers with good corporate governance, attributable to the increasingly converged rule requirements. Therefore, we are of the view that the GEM Listing Rules, even without mandatory quarterly reporting requirement, are able to safeguard the interest of investors which allow them to make informed decisions.

Question 10

Do you agree with the Exchange's proposal to align the timeframes for GEM issuers to publish their annual reports, interim reports and preliminary announcements of results for the first half of each financial year with those for the Main Board, as set out in paragraphs 94 and 95 of the Consultation Paper?

Yes

Please give reasons for your views.

As mentioned in our response to Question 9, we consider the corporate governance of GEM listed issuers is on par with that of Main Board listed issuers. In other words, the preparation process and standard of relevant financial reporting of both GEM and Main Board listed issuers are the same. In practice, the time required for certain preparation process (e.g. obtaining audit confirmation) is identical for GEM and Main Board listed issuers. Hence, we agree with the Exchange's proposal to align the timeframes with the Main Board to avoid imposing unnecessary burden to GEM listed issuers.

Question 11

Do you agree that a streamlined mechanism should be introduced to enable qualified GEM issuers to transfer their listing to the Main Board?

Yes

Please give reasons for your views.

The proposal to implement a streamlined transfer process for qualified GEM issuers to transfer to a Main Board listing is a constructive reform that should be pursued. Allowing issuers who have met GEM's listing criteria and compliance requirements to leverage their track record for Main Board eligibility enhances efficiency. It avoids unnecessary duplication of regulatory approvals since these companies would have already been vetted.

Moreover, it provides proper incentives for GEM issuers across sectors to consider this progression as they scale up. The rigor is maintained as only the transfer process is streamline, not the Main Board listing requirements themselves. Overall, the streamlined transfer mechanism reduces friction while upholding standards. This will likely benefit both issuers through quicker access to Main Board liquidity and ecosystem, as well as investors interested in the growth trajectory of GEM companies.

Question 12

Do you agree with the removal of the requirement for the appointment of a sponsor for the purpose of a streamlined transfer as set out in paragraph 108 of the Consultation Paper?

Yes

Please give reasons for your views.

Yes, but with alternative requirement that the GEM issuers must engage a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO which can act as sponsor.

The proposal to remove the requirement for appointing a sponsor specifically for qualified GEM issuers utilizing the streamlined process to transfer to the Main Board is practical and reasonable. Sponsors play a key role in guiding first-time issuers through the IPO process by conducting due diligence and ensuring compliance. However, this function is less relevant for GEM issuers who have already gone through listing vetting and demonstrated ongoing compliance. Imposing sponsor oversight duplicates prior scrutiny of these issuers' fundamentals and governance.

Transfer eligibility itself requires meeting the Main Board's financial thresholds and track record standards. This mechanism provides the necessary validation without needing redundant sponsor involvement solely for the transfer. Exempting experienced GEM issuers from appointing sponsors reduces time and costs to encourage migration to the Main Board's ecosystem. This waiver is consistent with past practice and does not appear to have caused concerns. Sponsors continue to be integral for new IPOs on GEM and Main Board.

Our recommendation to require GEM issuers to engage a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO as an alternative to a traditional sponsor brings several advantages. A corporation with a type 6 license has demonstrated expertise at the capacity as sponsor and is well-versed in conducting due diligence. They possess an in-depth understanding of financial regulations and compliance requirements. This expertise ensures that the GEM issuers they advise will meet all necessary prerequisites and expectations for a Main Board listing.

Given their regulated status, these corporations are accountable to the SFC, enhancing the assurance to investors and the wider market about the quality of their work. With them acting in an advisory capacity, market confidence in the transfer process from GEM to the Main Board can be bolstered. They are positioned to provide valuable insights and guidance to GEM issuers, helping them navigate the complexities of the transfer process, while ensuring that all regulatory requirements are met and that the interests of the investing public are safeguarded.

The alternative requirement strikes a balance between reducing the cost and complexity of the transfer process for GEM issuers and maintaining robust oversight and regulatory compliance. It ensures that the transfer process remains rigorous and credible, thus upholding the integrity of the Hong Kong stock markets.

Question 13

Do you agree with, for the purpose of a streamlined transfer, the removal of the requirement for a "prospectus-standard" listing document and other requirements as set out in paragraphs 111 to 114 of the Consultation Paper?

Yes

Please give reasons for your views.

The proposal to remove the need for a full prospectus-standard listing document and waive certain other requirements as set out in paragraphs 111 to 114 of the Consultation Paper practical for enabling quality GEM issuers to transfer more seamlessly to the Main Board. Preparing a comprehensive prospectus is an extensive exercise that repeats information already disclosed by issuers for their GEM listing. Besides, financial figures presented by GEM issuers are audited following the same accounting standards as those in a prospectus. GEM issuers adhere to the ongoing disclosure requirements stipulated in the GEM Listing Rules, which are essentially the same as those in the Main Board Listing Rules. In such regards, allowing a more concise circular outlining key updates provides adequate transparency for informed investors. It avoids unnecessarily duplicative disclosures.

Question 14

Do you agree with the track record requirements for a streamlined transfer applicant as set out in paragraphs 117 to 118 of the Consultation Paper?

No

Please give reasons for your views.

We have reservations about agreeing fully with the track record requirements for streamlined transfer applicants outlined in paragraphs 117-118 of the Consultation Paper.

Specifically, the proposal to require 2 years of financial track record for GEM IPO plus 3 additional years after GEM listing equating to a minimum of 5 total years appears excessive compared to the original 2+1 years stipulated previously. This extended minimum 5 year timeline risks dis-incentivizing quality companies from pursuing a GEM IPO, as they may be hesitant to commit to such a prolonged pathway to a Main Board listing.

The thoroughly vetted 2 year track record for the original GEM IPO could continue to be considered as part of the assessment for streamlined transfer. If 2+1 years was sufficient to meet Main Board listing requirements, requiring 2+3 years now lacks clear justification while potentially hindering the viability of the proposed streamlined transfer.

Question 15

Do you agree with the daily turnover and volume weighted average market capitalisation requirements for a streamlined transfer applicant as set out in paragraphs 120 to 133 of the Consultation Paper?

No

Please give reasons for your views.

We concur with you that the requirement on daily turnover and volume weighted average market capitalisation of a streamlined transfer applicant is one of the reasonable criteria which could be used to assess the suitability of the streamlined transfer applicant for the transfer of listing as:

(i) instead of engaging a sponsor for conducting due diligence on the businesses of the streamlined transfer applicants for the recent three years and conducting book building as normal main IPO process do, it is important for the Exchange to ensure the streamlined transfer applicants have generated sufficient investor interest and confidence and have sufficient liquidity;

(ii) the daily turnover and volume weighted average market capitalization is one of the indicators of investor interest and confidence in a company's stock and a higher daily turnover and volume generally demonstrates the higher attractiveness of the stock of a streamlined transfer applicant. Requiring a minimum level of daily turnover and volume weighted average market capitalization of a streamlined transfer applicant could ensure that the streamlined transfer applicants have generated sufficient investor interest and confidence;

(iii) the daily turnover and volume weighted average market capitalization, or the daily trading volume, is one of the indicators of liquidity of a company's stock. Requiring a minimum level of daily trading volume of a streamlined transfer applicant could ensure that the

streamlined transfer applicants have certain level of trading activity and sufficient liquidity so that the investors have been able to buy and sell shares freely in the market; and

(iv) the daily turnover and volume weighted average market capitalization is an indicator to assess the popularity and participation of a company's stock in the market and adequate trading activity of the streamlined transfer applicant indicates the market acceptance and investment value of its stock.

However, we are of the view that the requirement on daily turnover and volume weighted average market capitalization of a streamlined transfer applicant shall not be one of the mandatory criteria to determine the eligibility of a streamlined transfer applicant for its transfer of listing after taking into consideration:

(i) the daily turnover and volume weighted average market capitalization does not fully account for changing business conditions of the streamlined transfer applicant as a company's trading volumes may fluctuate due to temporary factors outside of management's control, such as macroeconomic changes, industry downturns, or one-off corporate restructuring events;

(ii) the requirement of daily turnover and volume weighted average market capitalization of a streamlined transfer applicant for the Reference Period is not necessary as the stock trading volume does not necessarily reflect the quality or potential of a company; and

(iii) imposing requirements on the daily turnover and volume weighted average market capitalization of a streamlined transfer applicant may restrict market diversity and innovation as some promising companies with high growth potential may be excluded from the opportunity to transfer due to a lack of sufficient level of trading for the Reference Period.

In addition, imposing requirement on daily turnover and volume weighted average market capitalisation of streamlined transfer applicant as one of the mandatory criteria for transfer of listing may encourage the manipulation as the manipulative investors could engage in speculative trading or share price boosting behaviours and artificially inflate trading volumes and market capitalisation during the Reference Period in order to meet the requirements for the transfer of listing.

As such, we are of the view that the daily turnover and volume weighted average market capitalization of a streamlined transfer applicant could be used to assess the suitability of the streamlined transfer applicant for the transfer of listing but shall not be a mandatory criterion to determine the eligibility of a streamlined transfer applicant for its transfer of listing and the Exchange is better served by conducting broader assessments of streamlined transfer

applicants on a case-by-case basis.

Question 16
Should the Minimum Daily Turnover Threshold for the Daily Turnover Test be set at: - Selected Choice

Please give reasons for your views.

Question 17
Do you agree with the proposed compliance record requirement for a streamlined transfer applicant as set out in paragraph 134 of the Consultation Paper?

Yes

Please give reasons for your views.

We generally agree with the proposed compliance record requirement, except for the proposed amendment as set out in paragraph 134(b)(i) of the Consultation Paper.

For clarification purpose, in respect of paragraph 134(a) of the Consultation Paper, we are of the view that a streamlined transfer applicant who have been held to have committed a serious breach of any Listing Rules but have subsequently overturned by the GEM Listing Review Committee in accordance with Chapter 3 and Chapter 4 of the GEM Listing Rules shall deemed to have fulfilled the proposed requirement as set out in paragraph 134(a) of the Consultation Paper.

We believe that investigations for any serious breach, or potentially serious breach, of any Listing Rules are one of the indicators for the assessment of a streamlined transfer applicant's suitability for a GEM transfer. By imposing the proposed amendment of ensuring a clean compliance record, the risk of potential disciplinary actions after the GEM transfer would be greatly mitigated and minimise the potential disturbance to the market.

However, although we agree that a streamlined transfer applicant shall not be a subject of investigation as at the date when dealing in its securities commences on the Main Board, the streamline transfer mechanism shall not refrain GEM listed issuers who are under investigation from applying for a streamlined transfer. Under the principle of presumption of innocence, a GEM listed issuer under investigation shall be treated equally with other issuers until the breach has been confirmed. Balancing the Exchange's concerns, we are of the view that a clean compliance record, in particular free from any investigation, shall be one of the conditions for granting the formal in-principle approval instead of a prerequisite for making a streamlined

transfer application and therefore paragraph 134(b)(i) shall not be adopted.

Question 18

Do you agree with the proposed modification to the existing compliance record requirement for a transfer from GEM to the Main Board as set out in paragraph 136 of the Consultation Paper?

Yes

Please give reasons for your views.

Please refer to our response to Question 17.

Question 19

Do you agree that the Exchange should exempt GEM transferees to the Main Board from the Main Board initial listing fee?

Yes

Please give reasons for your views.

An initial listing fee had been charged to GEM listed issuers upon their initial GEM listing application for the trading of its securities on the Stock Exchange. Following the reform of GEM, the Rule requirement for GEM and Main Board issuers have been highly converged. In other words, functionally, there is little difference between GEM and Main Board as a fundraising platform. A higher transfer cost would discourage GEM listed issuer from transferring to the Main Board.

Considering that a GEM transfer usually does not involve additional fundraising, reducing the cost of transfer as proposed in the Consultation Paper (including removing quarterly reporting, documentation and due diligence requirement and exempting the Main Board initial listing fee) provides a greater incentive for eligible listed issuers to consider a GEM transfer. Correspondingly, with the streamlined transfer mechanism with a lower cost associated, the proposed measures encourage potential applicants to list on GEM instead of remaining private until such time that they met the eligibility criteria for listing directly on the Main Board.