

Submitted via Qualtrics

(Anonymous)

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?

Yes

Please give reasons for your views.

We generally agree that an alternative eligibility test should be introduced with a view to providing more options for SMEs to list on GEM, however, such alternative eligibility test should not only be limited to those that have started their business with fundamentals of R&D activities.

As stated in the Exchange's Commitment to SMEs in the Consultation Paper, GEM is a platform for SEMs to source funding for long-term corporate investment. As such, it should be opened up to all SMEs. We encourage that the alternative eligibility test or more alternative eligibility tests should be made available to SMEs that are involved in all sectors.

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?

Yes

Please give reasons for your views.

Following up on our reply to Question 1, we are of the view that the requirement on R&D expenditure should be removed to allow SMEs in different industries to benefit from an alternative eligibility test.

Should the Exchange not agree to remove the R&D expenditure requirement from the alternative eligibility test,

we propose that:

- (i) the revenue requirement be adjusted to around HK\$75 million to HK\$80 million for past two financial years and the requirement of R&D expenditure be adjusted to around HK\$15 million to HK\$20 million for past two financial years without any requirement to meet a minimum R&D expenditure ratio

The paragraph 63 of the Consultation Paper sets out the minimum requirement of HK\$100 million of revenue and HK\$30 million of R&D expenditure representing not less than 15% of the total operating expenditure in the past two financial years. This requirement translates into the listing applicant incurring total operating expenditure of at least HK\$200 million, therefore resulting in a loss of at least HK\$100 million (Min. revenue minus implied min. total operating expenditure) for past two financial years. This implies that the minimum R&D expenditure ratio may create an absurd figure.

(ii) the existing minimum market capitalisation threshold should be maintained at HK\$150 million

In all capital markets transactions, the valuation of a company should be determined by the market. There is no justification for imposing a higher threshold of market capitalisation for an alternative test which was designed with an aim to attracting the same targeted listing applicants (i.e. SMEs) that are not able to fulfil the existing operating cash flow requirement to list on GEM.

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.

Rules on this should be consistent for both Main Board and GEM.

Question 4

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

Yes

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

We suggest that the HKEx should seriously consider relaxing the listing requirements to a level closer to that in or before year 2018 where the listing requirement was a total of HK\$20 million operating cash inflow for two consecutive financial years.

Given the challenging economy and business conditions after the aftermath of COVID, most SME can hardly sustain its profitability in the past few years. In order to assist SME in going listed in order to raise funds in capital market through GEM, a lower level of listing requirements is imperative.

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.

While we agree with the proposed consequential and housekeeping amendments to the reverse takeover and extreme transaction rules as set out in paragraph 81 and 82 of the Consultation Paper, given that SMEs currently listed on the Exchange are presently performing poorly and this has contributed significantly to the unattractiveness of GEM, we recommend the Exchange to consider amending rules especially relating to the reverse takeover and extreme transaction Rules for GEM listed issuers to allow more flexibility of GEM listed issuers to proceed with business reorganisation with strategic acquisitions or organic growth in new businesses. This is vital to GEM listed issuers' sustainability and continual business growth.

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.

SMEs typically have simpler business structure and operation. This amendment will help lower ongoing compliance costs.

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.

We agree the Exchange's proposal subject to the condition that the relevant GEM issuer and its

directors should not have been disciplined or found to be non-compliant to any rules and regulations in any material respect during the first year after the date of its initial listing.

Question 8

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

No

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

We are generally satisfied with the continuing obligation currently applicable to a GEM listed issuer. Nevertheless, any approach with an aim to reducing the ongoing compliance cost for GEM listed issuer, thereby enhancing the competitiveness and accessibility of GEM, is welcomed and appreciated.

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.

Simplifying the ongoing compliance to make it on par with the Main Board requirements will render GEM more appealing to SMEs as a result of reduction in compliance cost and the stress for human resources.

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.

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.

Refer to our comments on Q14 and Q15.

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.

With the reduction of transferring cost for GEM listed issuer, this will make GEM more appealing to smaller business.

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.

Given that GEM listed issuer is already listed with a track record of listing for at least one full financial year (under the existing rules), the need for a “prospectus standard” listing document is questionable and will unduly increase the workload and cost for transferring to Main Board.

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.

Under the current transfer regime, the transfer applicant is required to have a listing track record of one year and satisfy all qualifications for listing on the Main Board (including but not limited to the financial requirements). There is no justification to request a transfer applicant to delay its plan to transfer to Main Board for two additional years when in fact such applicant has already met all other qualifications for listing on the Main Board including an ownership control and continuity and no fundamental change in its principal business in the past three financial years.

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.

Imposing daily turnover and volume weighted average market capitalisation requirements would put the market at risk of manipulation. This would also unnecessarily complicate the GEM listing regime which go against of the purpose of the reform (i.e. to streamline the transfer regime for GEM issuer), especially when daily turnover of the shares of a company is not a useful indication of investors' interest in the company.

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 recommend the Exchange to define “serious breach” for clarity.

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.

Refer to Q17.

Question 19

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

040

Yes

Please give reasons for your views.

Any approach to reduce the cost for transferring to Main Board is welcomed and appreciated.