

Submitted via Qualtrics

**Quam Capital 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?

Yes

Please give reasons for your views.

To allow high growth enterprises to raise funds via GEM to fuel business growth.

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.

We are of the view that R&D expenditure requirement may not be applicable for all sectors of the small and growth enterprises. The R&D expenditure threshold of 15% shall be on an aggregate basis as R&D expenditure is likely to show an increasing trend for such enterprises.

In relation to the market capitalization requirement, it largely depends on stock market performance which fluctuates subject to macro factors. A small and growth enterprise's growth and potential can be demonstrated by its operating cashflow, profitability or revenue, thus, abolishing the market capitalization requirement (except for the proposed alternative eligibility tests in Question 4(c) below) enable GEM applicants (especially enterprises in traditional industries) with positive operating cashflow and/or profit to have greater flexibility to price at an attractive valuation during IPO. In addition, a mandatory minimum percentage of public float requirement could ensure the sufficient liquidity in the market.

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.

We suggest to reduce the post-IPO 24 months lock up period imposed on controlling shareholders of GEM issuers to 12 months for the operating cashflow test and profit test GEM applicants, but remain the post-IPO 24 months lock up period for the market capitalization/revenue/growth test GEM applicants (for the details of the proposed alternative eligibility tests, please refer to the reply to Question 4)

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.

The positioning of the GEM is a listing platform for small and growth enterprises to tap funds in Hong Kong capital market. Different eligibility requirements shall be adopted to cater for different business sectors.

We suggest the GEM listing applicants should satisfy either: (a) operating cashflow test or (b) profit test or (c) market capitalization/revenue/growth test. We propose the details set out below:

(a) operating cashflow test, HK\$20 million in aggregate for the two preceding financial years; or

(b) profit test, a trading record of not less than two financial years during which the profit attributable to shareholders in aggregate is not less than HK\$10 to 15 million; or

(c) market capitalization/revenue/growth test, a market capitalization of at least HK\$150 million at the time of listing; and revenue of at least HK\$50 million for the most recent financial year; and with year-on-year revenue growth of 30% over the two financial years.

In addition, we believe the reason for high listing expenses is prolonged vetting process involving many rounds of questions (including on sustainability, justification of business model and practices, sponsor's due diligence) leading to significant professional costs in responding, due diligence and updating of financials. We propose a review of the listing vetting process to enhance efficiency such that an application can be completed within the six months expiry date.

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.

We agree with proposed amendments. We also recommend the Stock Exchange to amend the reverse takeover rules for GEM listed issuers to allow them more flexibility in business

development and expansion through acquisitions. GEM listed issuers can be viewed as more expansionary and dynamic and enhance their attractiveness to investors.

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.

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?

No

Please give reasons for your views.

We suggest to keep the compliance advisor engagement ends on the date on which the issuer publishes its financial results for the second full financial year commencing after the dates 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.

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 quarterly financial reporting is unduly burdensome for GEM issuers.

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.

The GEM issuers are listed companies and are subject to GEM listing rules as stipulated by the Stock Exchange.

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.

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.

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 do not agree as the current regime only requires a listing track record of one year. There is no reason to delay a GEM applicant which qualifies for Main Board listing for additional two years. This requirement goes against increasing the attractiveness of GEM.

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 suggest not to adopt the daily turnover and volume weighted average market capitalization requirements for a streamlined transfer applicant as GEM issuers are required to meet Main Board's market capitalization requirement and, thus, additional hurdles shall be avoided.

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.

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

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Consultation Paper?

Yes

Please give reasons for your views.

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.

The GEM issuer(s) has paid GEM initial listing fee and shall not pay another initial listing fee.