

**Submitted via Qualtrics**

**King & Wood Mallesons  
Company/Organisation view  
Law Firm**

**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 agree that the new alternative eligibility test would create a listing path to enterprises with high growth potentials.

**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 generally agree with the proposed thresholds.

However, given the high market capitalisation threshold that needs to be satisfied, under the current market sentiment, not many GEM applicants would be able to satisfy the requirement.

R&D expenses: we agree that a minimum R&D expenditure ratio should be set to ensure the eligible listing applicants have engaged in R&D activities that constitute a substantial ongoing expense. However, from our experience, some newly established companies may not spend such substantial R&D expense during their first year of establishment. So, we would suggest to adjust the R&D expenses requirement such that eligible listing applicants should meet a minimum R&D expenses threshold of HK\$30 million and accounting for at least 30% of total operating expenditure over the two financial year track record period prior to listing, with year-on-year growth over the two financial years,.

**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 agree with the 12 months lock-up period to align with the requirement with junior markets in other jurisdictions and we believe the shortened lock-up period will make GEM listing more attractive.

**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.**

No other suggestion.

**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 the proposed amendments.

**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 agree with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper.

**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 with the Exchange's propositions and rationale for this proposal discussed in the Consultation Paper which will align with Main Board requirement.

**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 have no other suggestion.

**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.**

Such removal will simplify the disclosure requirements of GEM listed issuers which would make GEM listing more attractive.

**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.**

After the removal of quarterly reporting financial reporting requirement, it is reasonable to align the publication timeframes for GEM issuers to publish the reports and announcement for annual and interim results.

**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.**

However, given the high threshold that needs to be satisfied under the streamlined mechanism in relation to the Daily Turnover Test and Volume Weighted Average Market Capitalisation Test, very few GEM listed issuers would be able to satisfy the requirements.

According to some preliminary research based on public information as at the end of September 2023, there are only around 12 GEM listed companies which could meet the minimum market capitalisation requirement.

In view of this, it seems the streamlined mechanism may not benefit existing GEM listed issuers, but may be more relevant for future GEM listed issuers seeking to transfer to Main Board.

Nonetheless, we agree the streamlined mechanism would on the whole make transferring to Main Board more attractive.

**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.**

This would reduce the fees to be incurred for transferring to the Main Board.

**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.**

This would reduce the fees to be incurred for transferring to the Main Board.

Moreover, this would not compromise the quality of the company to be listed on the Main Board, as being a GEM listed company, it should already be in compliance of GEM Listing Rules disclosure requirements. As noted by the Exchange, the issuer would have already published,

on an ongoing basis, information investors require to make an informed investment decision of the issuer's financial position and future prospects under the requirements of the GEM Listing Rules, which are accessible to investors on the HKEX website and issuer website.

**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?**

Yes

**Please give reasons for your views.**

This would be in line with the track-record requirement for listing on Main Board.

**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?**

Yes

**Please give reasons for your views.**

We agree with having a threshold of the daily turnover and volume weighted average market capitalisation requirements, however as noted in our answer for Question 11 and Question 16 below, we think the proposed threshold is too high that only a few GEM listed issuers could meet the threshold. As the daily turnover and volume weighted average market capitalisation of GEM listing issuers are entirely market-driven and can be easily adversely affected by the global financial market performance and sentiment which are totally out of the control of the applicants, we propose the Exchange could consider to adjust the requirement for a streamlined transfer listing applicant at least say 70% of the required thresholds.

**Question 16**

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

(c) Another figure (please specify)

**Please give reasons for your views.**

As noted in our answer for Question 11 above, we think the proposed threshold is too high and that only a few GEM listed issuers could meet the threshold.

We are unsure of the basis of the suggested HK\$100,000 and HK\$50,000 thresholds, we respectfully urge the Exchange to explain the reasonableness of these figures.

We also propose the Exchange could consider to adjust the requirement for a streamlined transfer listing applicant at least say 70% of the required thresholds.

**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.**

This requirement would also substantiate the rationale for removing the publication of a “prospectus-standard” listing document, which would normally require vetting by the Exchange and SFC of, among other things, the compliance record of the GEM listed issuer.

**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.**

This would clarify that the transfer applicant should also not be subject to any investigation by the Exchange or any ongoing disciplinary proceedings. We also agree this should apply to all transfer applicants, whether or not it is made under the proposed streamlined transfer.

**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.**

As the issuer has already paid an initial listing fee upon listing on GEM Board, exempting the requirement to pay Main Board initial listing fee would reduce the cost of a transfer and could be an incentive for GEM companies which are qualified to list on Main Board to seek a transfer.