

Submitted via Qualtrics

KPMG

Company/Organisation view

Accounting 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.

KPMG welcomes the opportunity to respond to the consultation paper on GEM Listing Reforms (“Consultation”). Unless otherwise noted, terms used in our responses herein shall have the same meanings as those defined in the Consultation.

We support the Exchange’s proposals to reform the GEM in order to create a more appealing fundraising platform for SMEs and start-ups, as well as to provide investors with a broad spectrum of investment options. We also agree with the Exchange that a balanced approach should be adopted in the reform, acknowledging the significance of a fair and efficient market for SMEs and start-ups to raise capital in Hong Kong, while maintaining high regulatory standards to safeguard GEM investors. To ensure the long-term success of GEM, we encourage the Exchange to regularly assess the GEM listing regime to adapt to the evolving needs of issuers and investors.

Considering the increasing number of high-growth enterprises actively involved in R&D in the present day, it is possible that these companies may not meet the current eligibility requirement of GEM, which mandate a track record period of positive operating cash flow. In light of this, we support the proposal to introduce an alternative pathway (i.e. market capitalisation/ revenue/ R&D test) for these R&D-focused high-growth enterprises to list on GEM. We believe that this proposal will help attract technology-driven and research-oriented growth companies to list in Hong Kong.

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?

No

Please give reasons for your views.

We do not have any specific comments in this regard.

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 this proposal, considering that the revised lock-up period will align the GEM requirement more closely with the majority of the Selected Overseas Junior Markets, and shell activities have largely ceased in the present time.

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.

We do not have any specific comments in this regard.

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 which are consistent with the existing guidance on reverse takeovers.

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.

Given that GEM has transformed into a market for established SMEs, differing from its initial launch in 1999, and that GEM issuers nowadays bear greater resemblance to Main Board issuers, we agree with the proposals to align the GEM requirements with the those of the Main Board as outlined in this Consultation.

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.

Please see the response to Question 6.

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.

With regard to the ESG-related requirements outlined in paragraphs 101 to 104, we agree with the Exchange’s approach of adopting a measured stance for GEM issuers and implementing ESG-related requirements in a manner that is proportionate to their circumstances. Since GEM issuers may have limited resources to allocate towards meeting ESG reporting requirements compared to Main Board issuers, the Exchange could consider providing a longer transitional period and certain exemptions when introducing new ESG reporting requirements for GEM issuers.

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.

Please see the response to Question 6.

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.

Please see the response to Question 6.

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 removal of the streamlined transfer mechanism in 2018 has been identified as one of the primary factors that have reduced the attractiveness of GEM listing for potential applicants, who would instead prefer to wait for a direct listing on the Main Board. Since shell activities have significantly diminished in recent times, we agree with the proposal to introduce a new streamlined transfer mechanism that would allow eligible GEM issuers to transfer their listing to the Main Board.

We also believe that this approach can incentivize enterprises to list on GEM and promote the development of a multi-layered capital market in Hong Kong.

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.

Please see the response to Question 11.

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.

Please see the response to Question 11.

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.

Please see the response to Question 11.

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.

Regarding the daily turnover requirement, while understand the rationale stated in the Consultation, we consider that such a requirement is unnecessary for the streamlined transfer process. However, considering that the proposed daily turnover thresholds are relatively low and should not pose a significant obstacle for qualified GEM issuers to transfer their listing to the Main Board, we do not object to the proposal of implementing a minimum daily turnover requirement.

Question 16

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

Please give reasons for your views.

Please see the response to Question 15.

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.

Please see the response to Question 11.

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 see the response to Question 11.

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.

We welcome all measures introduced by the Exchange to reduce the cost of listing for GEM issuers.