

Submitted via Qualtrics

**Slaughter and May
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.

As a general comment, we welcome the Exchange's proposals to enhance the appeal of the GEM market. We believe the proposals represent a step in the right direction in striking a balance between market quality and attracting companies with higher growth potential.

We agree an alternative eligibility test should be introduced to attract companies operating in higher growth R&D-intensive 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.

We have the following comments:

Revenue requirement:

The HK\$100 million aggregate revenue requirement requires year-on-year growth in revenue over the two financial years. We propose that the Exchange should consider adopting a similar approach to Chapter 18C and allow exceptions on a case-by-case basis where an applicant can explain (to the Exchange's satisfaction) any temporary drop in revenue due to factors outside of the applicant's control.

R&D requirement:

The proposed minimum R&D expenditure requirement includes both a quantitative threshold (HK\$30 million) and percentage threshold (15%). This deviates from the Chapter 18C approach for Specialist Technology Companies, which only applies a percentage threshold. We propose that the Exchange should consider if it is necessary to also apply the HK\$30 million threshold.

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 believe aligning the lock-up requirements with those applicable to Main Board issuers would enhance the attractiveness of a GEM listing and may assist with liquidity.

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 have no further proposals in this respect. Depending on the success of the present reforms, the Exchange may wish to further consider the existing operating cash flow requirement in a future consultation exercise.

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 proposals which are either consequential amendments or codification of the Exchange's existing approach.

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.

There no longer appears to be any significant reason why GEM issuers should be treated differently from Main Board issuers in this regard and the proposal would bring it in line with Main Board requirements.

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 our reply to question 6.

Question 8

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

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

We have no proposals in this respect.

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.

Yes. There no longer appears to be any significant reason why GEM issuers' periodic reporting requirements should be different from those applicable to Main Board issuers. The proposal would align the requirements, enhance the attractiveness of a GEM listing by lowering compliance cost and allow investors to consider Main Board and GEM issuers on a similar regulatory platform while focusing on their investment value.

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 our response to question 9.

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 streamlined mechanism is likely to form a key part of enhancing the attractiveness of the GEM market, and allow the Exchange to capture smaller or start-up businesses that have growth potential to list 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.

We agree on the basis the proposed streamlined transfer requirements should result in sufficient information for investors to make an informed investment decision (i.e. based on disclosure and audit requirements over a three year track record on GEM with no fundamental change in its principal business or ownership during that time).

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 our response to question 12.

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 our response to question 12.

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 the proposed approach which should help identify companies with a valuation based on adequate investor demand.

Question 16

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

Please give reasons for your views.

We would suggest the Exchange determine a figure based on the feedback of market participants with a view to striking the right balance between market quality and expanding the GEM market. However, liquidity is not necessarily something the issuer can control and wider measures enhancing investor education could be considered.

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.

The proposed compliance record requirement addresses the drafting issues identified for the existing transfer mechanism.

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.

The proposed modification addresses the drafting issues identified for the existing transfer mechanism.

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 proposal should enhance the attractiveness of a GEM listing.