

Submitted via Qualtrics

**British Chamber of Commerce in Hong Kong
Company/Organisation view
Professional Body / Industry Association**

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.

Yes. It is in the interests of Hong Kong that technology and research driven growth companies are supported.

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.

The bases for the thresholds are well reasoned.

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.

There is no reason why the GEM rules should differ from the Main Board rules in this respect.

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.

Please see our response to Question 14.

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.

These changes what would appear to be lacunas in the current provisions.

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 is no reason why the GEM rules should differ from the Main Board rules in this respect.

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.

There is no reason why the GEM rules should differ from the Main Board rules in this respect.

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.

Please see our response to Question 14.

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.

There is no reason why the GEM rules should differ from the Main Board rules in this respect and that the Main Board rules position of not requiring quarterly reporting reflects previous significant and careful thought in regards this issue.

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.

There is no reason why the GEM rules should differ from the Main Board rules in this respect.

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.

Please see our response to Question 14.

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 for the reasons expounded in the Consultation Paper.

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.

We agree for the reasons expounded in the Consultation Paper.

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.

Subject to the matter we discuss below in our response to this question 14, we agree for the reasons expounded in the Consultation Paper. However, we believe that now would be the right time to take a step back and look in an holistic manner at how the GEM and Main Boards might be operated in a more synergistic manner in order to continue to enable Hong Kong to be best positioned to compete as a global financial centre. In this regard our observations are that:

- a. it is the purpose of a track record requirement, alongside other eligibility requirements, to provide regulators with a reasonable basis for concluding that a company is suitable for listing and for investors to similarly assess its soundness as part of making an informed investment decision;
- b. the obvious caveat around any track record period of an unlisted company though is that it does not provide any insight on its ability to perform under the restrictions and disclosure obligations applicable to a listed entity;
- c. there is a general perception (on which we make no comment) that a listing on the Main Board carries greater prestige and accordingly many GEM issuers aspire to promotion to it; and
- d. as the Main Board and GEM rules are now (and will be even more so if the current proposals proceed) largely the same, there is a question currently as to what the role of GEM is and whether it could be redefined in a way which better serve the interests of Hong Kong.

Taking these points together we would propose the following model for consideration:

- a. GEM be positioned as a sandbox for companies that cannot list on the Main Board under its track record requirements, and that any company which meets the streamlined requirements proposed in the Consultation Paper be automatically promoted to the Main Board without the need to be able to meet the financial track record requirements of the Main Board. This is on the basis that such a company would have proven that its business is sustainable (if it wasn't then it should have been delisted from GEM) and able to operate under, to all intents and purposes, the listing environment of the Main Board;
- b. to reinforce the company's readiness and suitability for such an automatic promotion the period of three years referred to in paragraph 118 of the consultation Paper might be considered to be lengthened to five years;

c. the Main Board rules applicable to smaller market capital (and/or other measures which might be considered appropriate) issuers, which already comprise a very substantial part of issuers listed on that board, be tailored to remove some of the ongoing compliance requirements that are particularly onerous in their extent but which, in the context of the sizes of the companies, provide only very marginal contribution to maintaining the quality of the market. A topical example of this might be the extent to which such companies would be subject in the future to needing to make scope 3 emission disclosures; and

d. on the opposite side, the Main Board Listing Rules applicable to the largest market capital (and/or other measures which might be considered appropriate) issuers, which are the ones that the Hong Kong exchange is competing with other global exchanges to attract, should be better tailored to reflect the more limited extent of regulation on the international exchanges with which Hong Kong is competing.

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 do not believe that a daily turnover requirement, in the form proposed, should apply. It is possible low turnover may indicate that the market is shunning a stock due to concerns about its quality, and hence be a filter in that regard. However, low turnover may also simply be reflective of the overall state of the market (and note that a task force appointed by the HK Government is currently looking into concerns regarding general market liquidity) while relatively low liquidity (below the proposed test levels in the Consultation Paper) is in any event experienced by a very large number of existing Main Board listed companies. Accordingly, we do not believe it would be the right way forward to impose a turnover requirement that would simply rule out large numbers of GEM issuers from being able to move up to the Main Board under the streamlined mechanism irrespective of any other considerations. For the reasons we detailed in our response to question 14, we believe Hong Kong's interests would be better served by a regime that encourages issuer's to move up to the Main Board. In addition though, as part of our suggestion in our response to question 14 for a step to be taken back to look at reforms of the market holistically, we would strongly encourage consideration of whether refined forms of a liquidity requirement (for example, to address issues with overall market liquidity changes, incorporating a ratchet mechanism linking the test requirement(s) to prevailing levels of market liquidity) , or other alternative requirements/tests, might be usefully deployed as a supplement to/in place of some existing listing rules tests.

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.

Yes. We agree for the reasons expounded in the Consultation Paper.

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.

We agree for the reasons expounded in the Consultation Paper.

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 agree for the reasons expounded in the Consultation Paper.