

## Update No. 83

### Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

#### Update No. 83

January 2025

#### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals set out in our “*Consultation Conclusions on Proposals to Further Expand the Paperless Listing Regime and Other Rule Amendments*” published on 24 January 2025.

The Amendments to the GEM Listing Rules are to modernise market infrastructure and enhance operational and regulatory efficiency. Key changes (the “**Paperless Rule Amendments**”) include:

1. requiring issuers to provide securities holders with an option to send instructions to issuers electronically;
2. requiring issuers to provide securities holders with an option to receive corporate action proceeds electronically;
3. requiring issuers to provide securities holders with an option to pay subscription monies for offers to existing securities holders electronically;
4. removing the availability of Mixed Media Offers for public offers of equity securities, debt securities and collective investment schemes; and
5. requiring issuers to ensure their constitutional documents enable them to hold hybrid general meetings and provide electronic voting.

We have also made minor and housekeeping amendments to the GEM Listing Rules that do not involve any change in policy direction.

#### Coming into effect

The amended GEM Listing Rules will take effect from the following dates:

- (a) Paperless Rule Amendments (see Part A of the amendments to the GEM Listing Rules) will be implemented in accordance with Part A; and
- (b) the minor and housekeeping amendments to the GEM Listing Rules (see Part B and Part C of the amendments to the GEM Listing Rules) will be brought into effect on 10 February 2025.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

## Update No. 82

### Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

#### Update No. 82

December 2024

#### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals set out in the "*Consultation Conclusions on Review of the Corporate Governance Code and Related Listing Rules*" published on 19 December 2024.

The amendments to the GEM Listing Rules are to enhance our corporate governance framework and promote good governance amongst issuers. The key changes include:

- The designation of a lead independent non-executive director ("**INED**") (where the board chair is not independent) on a voluntary basis, with enhanced disclosures on shareholder engagement;
- Mandating annual director training on specific topics, with minimum training hours for first-time directors;
- Requiring regular board performance reviews and the disclosure of a board skills matrix;
- Introducing a cap on "overboarding" for INEDs (six Hong Kong-listed issuer directorships), with a three-year transition period;
- Introducing a cap on the tenure of INEDs (nine years), with implementation in two phases over a six-year transition period;
- Requiring the nomination committee to comprise directors of different genders, annual reviews of board diversity policy, and a workforce diversity policy;
- Mandating a review of the risk management and internal control systems to be conducted at least annually, with enhanced disclosures of the review and findings; and
- Requiring enhanced disclosures of an issuer's dividend policy and its board's dividend decisions.

We have also made certain minor amendments to the GEM Listing Rules to codify our existing guidance and recommended disclosures, clarify expectations in the Listing Rules, and align existing practices.

#### Coming into effect

The amendments will come into effect on 1 July 2025<sup>1</sup>, with transitional arrangements for the cap on "overboarding" and the cap on INED tenure.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

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Note:

<sup>1</sup> The new requirements in the GEM Listing Rules will apply to corporate governance reports and annual reports for financial years commencing on or after 1 July 2025.

# UPDATE NO 81

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 81

September 2024

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement arrangements for securities and derivatives trading under severe weather conditions. These amendments are consequential amendments that reflect HKEX's conclusions, published on 18 June 2024, to the "Consultation Paper on Severe Weather Trading of Hong Kong Securities and Derivatives Markets" after considering market responses received to that consultation.

#### Coming into effect

The amendments will come into effect on 23 September 2024.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

# UPDATE NO 80

**Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 80

April 2024

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals set out in the “Consultation Conclusions on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework” published on 19 April 2024.

The amendments to the GEM Listing Rules introduce climate-related disclosures based on the IFRS S2 Climate-related Disclosures published by the International Sustainability Standards Board in June 2023.

#### **Coming into effect**

The amendments will come into effect on 1 January 2025.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

# UPDATE NO 79

**Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 79

April 2024

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals set out in the “Consultation Conclusions on Proposed Amendments to Listing Rules Relating to Treasury Shares” published on 12 April 2024.

The amendments to the GEM Listing Rules are to (a) remove the requirement to cancel repurchased shares and (b) adopt a framework to govern the resale of treasury shares.

We have also made certain housekeeping amendments to the GEM Listing Rules that do not change any policy direction.

#### **Coming into effect**

The amendments will come into effect on 11 June 2024.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

# UPDATE NO 78

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 78

December 2023

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals set out in our “Consultation Conclusions on GEM Listing Reforms” published on 15 December 2023 (the “**Amendments**”).

The key changes to the GEM Listing Rules (the “**GEM Reform Rule Amendments**”) set out in Part A of the Amendments include:

1. introducing a new alternative “market capitalisation/ revenue/ R&D test” for an initial listing on GEM that targets high growth enterprises heavily engaged in research and development activities;
2. reducing the post-IPO lock-up period on GEM issuers’ controlling shareholders to 12 months; and
3. removing mandatory quarterly reporting requirements and aligning GEM’s other ongoing obligations with those of the Main Board.

We have also made housekeeping amendments to the GEM Listing Rules set out in Part B of the Amendments for the purpose of the forthcoming expanded paperless listing regime (the “**Housekeeping Rule Amendments**”).

#### Coming into effect

The amended Rules will take effect from the following dates:

- (a) 1 January 2024 – for the GEM Reform Rule Amendments; and
- (b) 31 December 2023 – for the Housekeeping Rule Amendments.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

# UPDATE NO 77

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 77

July 2023

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of the “*Consultation Conclusions on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers*” published on 21 July 2023.

The amendments to the GEM Listing Rules include (a) consequential Rule amendments to reflect recent changes in PRC regulations; (b) other Rule amendments to remove or modify certain requirements specific to PRC issuers which are no longer necessary with a view to aligning the requirements for PRC issuers with those applicable to other issuers; and (c) certain housekeeping Rule amendments to remove duplicate provisions, update outdated references, correct clerical errors or address inconsistencies.

#### Coming into effect

The amendments will come into effect on 1 August 2023.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.



# UPDATE NO 76

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 76

June 2023

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of our “*Consultation Conclusions Paper on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments*” published on 30 June 2023.

Key changes to the GEM Listing Rules (the “**Paperless Rule Amendments**”) include:

1. a reduction in the number of the submission documents; and mandatory submission by electronic means;
2. the mandatory electronic dissemination of corporate communications by listed issuers to the extent permitted by the laws and regulations; and
3. simplification of the appendices to the GEM Listing Rules.

We have also made certain minor and housekeeping amendments to the GEM Listing Rules that do not change any policy direction.

#### **Coming into effect**

The amended GEM Listing Rules will take effect from the following dates:

- (a) 8 July 2023 – for the minor and housekeeping Rule amendments; and
- (b) 31 December 2023 – for the Paperless Rule Amendments.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

# UPDATE NO 75

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 75

June 2023

### Amendments to the GEM Listing Rules

We have published an Information Paper outlining the following:

amendments to the GEM Listing Rules to facilitate the implementation of FINI and its operations (“**Consequential Amendments**”). FINI (Fast Interface for New Issuance) is a new platform developed with the objective of shortening Hong Kong’s “T+5” IPO settlement cycle and streamlining the IPO settlement process; and

housekeeping amendments to the GEM Listing Rules (“**Housekeeping Amendments**”).

#### Coming into effect

The amendments will take effect on the FINI launch date which will be announced in due course.

Please click:

[HERE](#) to see the Information Paper;

[HERE](#) to see the Consequential Amendments to the GEM Listing Rules; and

[HERE](#) to see the Housekeeping Amendments to the GEM Listing Rules..

# UPDATE NO 74

**Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 74

November 2022

### Amendments to the GEM Listing Rules

With effect on 1 January 2023, enhancements will be made to the existing cash market trading fee structure to 1) remove the trading tariff of \$0.50 payable on each transaction; and 2) adjust the ad valorem fee on all trades from the current level of 0.005% to 0.00565%. Please refer to [circular](#) for details of the enhancements to the cash market trading fee structure.

In connection with the change in the ad valorem trading fee rate, we have amended the GEM Listing Rules so that it would explicitly refer to the trading fee rate as set out in the Rules of the Exchange.

#### Coming into effect

The amendments will take effect on 1 January 2023.

Please click [HERE](#) to see the amendments to the GEM Listing Rules

# UPDATE NO 73

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 73

July 2022

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of the “*Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment*” published on 29 July 2022.

The amendments to the GEM Listing Rules are to (a) extend Chapter 23 of the GEM Listing Rules to govern both share option schemes and share award schemes and (b) amend specific requirements in such Chapter to enhance the regulations of share schemes.

We have also made a housekeeping amendment to the GEM Listing Rules to align the requirements on payment date of subsequent issue fees by GEM issuers with those applicable to Main Board issuers.

#### **Coming into effect**

The amendments relating to share schemes will come into effect on 1 January 2023, and the housekeeping amendment will come into effect on 1 October 2022.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

# UPDATE NO 72

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 72

April 2022

### Amendments to the GEM Listing Rules

We have published an Information Paper outlining the following:

consequential amendments (the “**Consequential Amendments**”) to the Listing Rules on bookbuilding and placing activities in equity capital market transactions and sponsor coupling to complement the new provisions of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission; and  
housekeeping amendments to the Listing Rules (the “**Housekeeping Amendments**”), including amendments to reflect the Main Board and GEM websites unification (the “**Websites Unification Amendments**”).

#### Coming into effect

The amendments will take effect from 5 August 2022, except for the Websites Unification Amendments, which are currently expected to be effective on 28 May 2022 subject to our further announcement.

Please click:

[HERE](#) to see the Information Paper;

[HERE](#) to see the Consequential Amendments to the GEM Listing Rules; and

[HERE](#) to see the Housekeeping Amendments to the GEM Listing Rules. The Websites Unification Amendments are set out in Part A thereof.

# Update No. 71

**Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 71

December 2021

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of the “*Consultation Conclusions on Review of the Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments*” published on 10 December 2021.

The amendments to the GEM Listing Rules are to enhance our corporate governance framework and promote good governance amongst issuers. The key changes include:

- Rearranging the structure of Appendix 15 to enhance the flow and readability and renaming it to “Corporate Governance Code”;
- Requiring alignment of a company’s culture with its purpose, values and strategy;
- Introducing additional requirements relating to independent non-executive directors (“INEDs”) serving more than nine years (“Long Serving INEDs”) on board, and requiring mechanism(s) to ensure independent views are available to the board;
- Putting an end to single gender board by requiring issuers to appoint at least a director of a different gender, and requiring numerical targets and timelines for achieving gender diversity at board level and gender diversity-related disclosures at workforce level;
- Mandating establishment of a nomination committee, chaired by the board chairman or an INED and comprising a majority of INEDs;
- Requiring shareholder communication policy to include channels for two-way communication; and
- Shortening publication timeframe of ESG reports<sup>1</sup> to be aligned with the annual reports.

We have also made certain housekeeping amendments to the GEM Listing Rules, mainly to update certain references subsequent to Rules becoming effective, correct clerical errors and align language between the English and Chinese versions.

### Coming into effect

The amendments will come into effect on 1 January 2022<sup>2</sup>.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

1. As required under Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the GEM Rules.
2. The requirements under the new Corporate Governance Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The requirement to appoint a new INED where all the INEDs on board are Long Serving INEDs will be implemented for the financial year commencing on or after 1 January 2023.

# Update No. 70

Amendments to the rules governing the listing of securities on the GEM ("GEM Listing Rules")

## Update No. 70

November 2021

### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of the "Consultation Conclusions Paper on Listing Regime for Overseas Issuers" published on 19 November 2021.

The amendments to the GEM Listing Rules are to enhance and streamline the listing regime for overseas issuers<sup>1</sup>. The key changes include:

1. introducing one common set of core shareholder protection standards that will apply to all issuers to provide the same level of protection to all investors; and
2. codifying some conditional common waivers for dual listings.

### Coming into effect

The amendments will take effect from 1 January 2022.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Note:

<sup>1</sup> Issuers incorporated or otherwise established outside Hong Kong and the People's Republic of China.



## **Update No. 69**

### **Amendments to the rules governing the listing of securities on the GEM (“GEM Listing Rules”)**

#### **Update No. 69**

June 2021

#### **Amendments to the GEM Listing Rules**

We have amended the GEM Listing Rules to introduce new headline categories to facilitate publication by issuers of electronic announcement forms relating to (i) dividends or bonus issues; and (ii) interest payment for debt securities admitted to the Central Clearing and Settlement System.

#### **Coming into effect**

The amendments will come into effect on 11 July 2021.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

## Update No. 68

### Amendments to the rules governing the listing of securities on the GEM (“GEM Listing Rules”)

#### Update No. 68

May 2021

#### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of the “*Consultation Conclusions on the Review of Listing Rules Relating to Disciplinary Powers and Sanctions*” published on 20 May 2021.

We have amended the GEM Listing Rules to:

1. Amend the existing thresholds for public statements against individuals;
2. Introduce public director unsuitability statements against individuals;
3. Enhance follow-on actions in relation to public statements against individuals;
4. Enhance disclosure requirements for directors and senior management subject to public sanctions;
5. Introduce secondary liability for GEM Listing Rule breaches;
6. Define “senior management” within listed issuers and their subsidiaries;
7. Remove existing threshold for denying facilities of the market to listed issuers; and
8. Align relevant parties under the Main Board and GEM Listing Rules and other housekeeping amendments.

#### Coming into effect

The amendments will come into effect on Saturday 3 July 2021.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

## Update No. 67

### Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

#### Update No. 67

December 2020

Dear Sirs,

#### Amendments to the GEM Listing Rules

We have amended the GEM Listing Rules to implement the proposals of the "*Consultation Conclusions Paper on Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display*" published on 18 December 2020.

The amendments to the GEM Listing Rules are to:

1. introduce new headline categories in relation to debt issuance programmes;
2. introduce a paperless listing and subscription regime whereby (i) all listing documents in a New Listing<sup>1</sup> will be published solely in an electronic format and (ii) New Listing subscriptions, where applicable, will be made through online electronic channels only ("**Paperless Listing and Subscription Regime**");
3. replace the requirement for certain documents to be put on physical display with a requirement for those documents to be published online ("**Online Display of Documents**"); and
4. reduce the types of documents that it is mandatory for an issuer to put on display for notifiable transactions and connected transactions ("**Reduction of Documents On Display**").

#### Coming into effect

The amended Rules will take effect from the following dates:

1. Monday, 1 March 2021 - for the amended Rules relating to the new headline categories for debt issuance programmes;
2. Monday, 5 July 2021 - for the amended Rules relating to the Paperless Listing and Subscription Regime; and
3. Monday, 4 October 2021 - for the amended Rules relating to the Online Display of Documents and the Reduction of Documents on Display.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

Bonnie Y Chan  
Head of Listing

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<sup>1</sup> An application for listing of equities (including stapled securities and depositary receipts), debt securities and collective investment schemes on the Exchange by a new applicant where a listing document is required under the Rules but excludes a Mixed Media Offer.

# Update No. 66

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the “GEM Listing Rules”)**

**Update No. 66**

August 2020

Dear Sirs,

**Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the “Consultation Conclusions on the Codification of General Waivers and Principles relating to IPOs and Listed Issuers and Minor Rule Amendments” published on 28 August 2020.

We have amended the GEM Listing Rules to codify:

- (a) the General Waivers relating to:
  - (i) publication and distribution of annual results and reports;
  - (ii) shareholder approval requirement for bonus or capitalisation issues by PRC incorporated issuers;
  - (iii) calculation of the consideration ratio for PRC incorporated issuers dually listed on the Exchange and a PRC exchange; and
  - (iv) inclusion of stock code in documents.
  
- (b) the general principles underpinning a number of waivers which have been granted to new applicants and/ or listed issuers relating to:
  - Financial disclosure
    - (i) disclosure of financial information of subsidiaries and businesses acquired or to be acquired after trading record period;
    - (ii) disclosure of financial information of overseas banking companies;
    - (iii) change of financial year period;
    - (iv) publication and distribution of interim and quarterly results and reports;

### Acquisition

- (v) disclosure of actual consideration of aircrafts acquired by airline operators;

### Incentive Scheme

- (vi) determination of share option scheme limit for a listed issuer's subsidiary to be spun-off for separate listing; and
  - (vii) determination of exercise price of options under a share option scheme adopted by issuers dually listed on the Exchange and a PRC exchange.
- (c) a number of minor amendments to the GEM Listing Rules for the purpose of providing greater clarity to the GEM Listing Rules and codifying a number of administrative guidance that is currently provided in guidance letters or listing decisions.

### **Coming into effect**

The amendment will come into effect on 1 October 2020.

Please click [HERE](#) to see the amendments to the GEM Listing Rules

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

Bonnie Y Chan  
Head of Listing

# Update No. 65

**Note to subscribers for the amendments to rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 65

August 2020

Dear Sirs,

### **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on Review of Chapter 37 – Debt Issues to Professional Investors Only" published on 21 August 2020.

Key changes to the GEM Listing Rules include:

- Introducing a minimum issuance size of \$100 million;
- Requiring issuers to state explicitly in the listing document the intended investor market in Hong Kong are professional investors only;
- Requiring publication of listing documents on the Exchange's website on the listing date; and
- Introducing other GEM Listing Rules amendments to enhance the regulatory oversight over issuers and guarantors' in terms of their continuing obligations.

### **Coming into effect**

The amendments will come into effect on 1 November 2020.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

Bonnie Y Chan  
Head of Listing

# Update No. 64

## Note to subscribers for the amendments to the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

### Update No. 64

December 2019

Dear Sirs,

#### Amendments to the GEM Listing Rules

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and related Listing Rules" published on 18 December 2019.

Key changes to the GEM Listing Rules include:

- Introducing mandatory disclosure requirements to include:
  - a board statement setting out the board's consideration of ESG issues;
  - application of Reporting Principles "materiality", "quantitative" and "consistency"; and
  - an explanation of reporting boundaries of ESG reports;
- Requiring disclosure of significant climate-related issues which have impacted and may impact the issuer;
- Amending the "Environmental" key performance indicators (KPIs) to require disclosure of relevant targets;
- Upgrading the disclosure obligation of all "Social" KPIs to "comply or explain"; and
- Shortening the deadline for publication of ESG reports to within five months after the financial year-end.

#### Coming into effect

The amendments will apply to issuers' ESG reports for financial years commencing on or after 1 July 2020.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing

# Update No. 63

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 63

October 2019

Dear Sirs,

### **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions on amendments to unwind the authority delegated to the Listing Department by the Listing Committee to approve GEM listing applications, as indicated in the “Consultation Conclusion on the Review of Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules” published on 15 December 2017.

We have amended the GEM Listing Rules such that the power to approve GEM listing applications would be returned to the GEM Listing Committee

### **Coming into effect**

The amendments will come into effect on 1 January 2020.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing



# Update No. 62

## Note to subscribers for the amendments to

### the rules governing the listing of securities on the GEM (the "GEM Listing Rules")

## Update No. 62

July 2019

Dear Sirs,

### Amendments to the GEM Listing Rules

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the “Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments” published on 26 July 2019.

We have amended the GEM Listing Rules to:

#### (i) Amendments Relating to Backdoor Listings

- **Reverse takeover (“RTO”) – Principle based test:** codify the six assessment factors under the principle based test in Guidance Letter GL78-14, with modifications made to the last two factors:
  - **transaction size**
  - **target quality**
  - **nature and scale of issuer’s business**
  - **fundamental change in principal business**
  - **change in control/de facto control**
  - **series of transactions and/or arrangements** (this includes acquisitions, disposals and/or change in control or de facto control that take place in reasonable proximity (normally within 36 months) or are otherwise related);
- **RTO – Bright line tests:** modify the bright line tests to (i) apply to very substantial acquisitions from an issuer’s controlling shareholder within 36 months from a change in control of the issuer; and (ii) restrict disposals (or distributions in specie) of all or a material part of the issuer’s business proposed at the time of or within 36 months after a change in control of the issuer. The Exchange may also apply the restriction to disposals (or distributions in specie) at the time of or within 36 months after a change in de facto control (as set out in the principle based test) of the issuer;
- **Backdoor listing through large scale issue of securities:** codify Guidance Letter GL84-15 to disallow backdoor listing through large scale issue of securities for cash, where there is, or will result in, a change in control or de facto control of the issuer, and the proceeds will be applied to acquire and/or develop new business that is expected to be substantially larger than the issuer’s existing principal business;
- **Extreme transactions:** (i) codify the “extreme VSAs” requirements in Guidance

Letter GL78-14 and rename this category of transactions as “extreme transactions”; and (ii) impose additional eligibility criteria on the issuer that may use this transaction category: (a) the issuer must operate a principal business of substantial size; or (b) the issuer must have been under the control or de facto control of the same person(s) for a long period (normally not less than 36 months) and the transaction will not result in a change in control or de facto control of the issuer;

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**Requirements for RTOs and extreme transactions:** modify the GEM Listing Rules to require the acquisition targets in a RTO or extreme transaction to meet the requirements of Rule 11.06 and Rule 11.12A (or Rule 11.14), and the enlarged group to meet all the new listing requirements in Chapter 11 of the GEM Listing Rules except Rule 11.12A. Where the RTO is proposed by an issuer that does not meet Rule 17.26, the acquisition targets must also meet the sufficient public interest requirement;

## (ii) Amendments to Continuing Listing Criteria for Listed Issuers

- **Rule 17.26 (sufficient operations):** amend Rule 17.26 to require an issuer to carry out a business with a sufficient level of operations and to have assets of sufficient value to support its operations to warrant its continued listing (and not sufficient operations or assets set out in the current Rule). Proprietary securities trading and/or investment activities by an issuer’s group are normally excluded when considering whether the issuer can meet Rule 17.26 (except for those carried out by a member of the issuer’s group that is a banking company, an insurance company, or a securities house that is mainly engaged in regulated activities under the Securities and Futures Ordinance); and
- **Rules 19.82 and 19.83 (cash companies):** (i) extend the definition of “short-dated securities” in Rule 19.82 to cover investments that are easily convertible into cash and rename it as “short-term investments”; and (ii) confine the exemption under Rule 19.83 to cash and short-term investments held by members of an issuer’s group that are banking companies, insurance companies or securities houses.

A transitional period of 12 months from the effective date (i.e. 1 October 2019) will apply to listed issuers that do not comply with the new Rule 17.26 or 19.82 strictly as a result of the Rule amendments. The transitional arrangement will minimise the impact of the Rule amendments on those issuers by allowing them a 12-month period to comply with the Rules as amended. For the avoidance of doubt, the transitional arrangement will not apply to issuers that do not comply with the current requirements under Rule 17.26 or 19.82, or become non-compliant with the new Rule 17.26 or 19.82 after the effective date.

There are also other Rule amendments relating to issuers’ securities trading and/or investments, significant distributions in specie, notifiable transactions and connected transactions.

## Coming into effect

The amendments will come into effect on 1 October 2019.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

**Update No. 61**

July 2019

Dear Sirs,

**Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on Review Structure in relation to Listing Committee Decisions" published on 18 January 2019.

We have amended the GEM Listing Rules such that:

1. Decisions regarding (i) rejection of a new applicant's listing application solely on the ground of unsuitability for listing; (ii) cancellation of listing; and (iii) imposition of certain disciplinary sanctions made by the GEM Listing Committee are subject to only one level of review, and the Listing Appeals Committee is discontinued.
2. A new independent review committee (the GEM Listing Review Committee) is established to replace the GEM Listing (Review) Committee and the GEM Listing (Disciplinary Review) Committee.
3. Decisions of the new GEM Listing Review Committee for non-disciplinary matters are to be published.
4. The SFC may request a review of any matter, including a decision of the GEM Listing Committee by the new GEM Listing Review Committee.
5. Transitional arrangements are provided. All disciplinary review hearings for disciplinary proceedings commenced before the effective date of the amendments, and all non-disciplinary review hearings in respect of certain decisions will be conducted under the current Rules.

**Coming into effect**

The amendments will come into effect on 6 July 2019.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

**Update No. 60**

May 2019

Dear Sirs,

**Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the “Consultation Conclusions on Proposal Relating to Listed Issuers with Disclaimer or Adverse Audit Opinion on Financial Statements” published on 24 May 2019.

Under the new GEM Listing Rules:

- (a) the Exchange will normally require suspension of trading in an issuer’s securities if the issuer publishes a preliminary results announcement for a financial year and the auditor has issued, or has indicated that it will issue, a disclaimer or adverse opinion on the issuer’s financial statements;
- (b) it may disapply the suspension requirement where (i) the disclaimer or adverse opinion relates solely to going concern; or (ii) the underlying issues giving rise to the audit modification have been resolved before the issuer publishes the preliminary results announcement;
- (c) the suspension will normally remain in force until the issuer has addressed the issues giving rise to the disclaimer or adverse opinion, provided comfort that a disclaimer or adverse opinion in respect of such issues would no longer be required, and disclosed sufficient information to enable investors to make an informed assessment of its financial position;
- (d) where the resolution of issues giving rise to the disclaimer or adverse opinion is outside the issuer’s control, a longer remedial period may be allowed, with the duration of the period being determined on a case by case basis; and
- (e) as a transitional arrangement, the remedial period will be extended to 24 months for issuers that are suspended solely due to a disclaimer or adverse opinion on the issuers’ financial statements for the financial years commencing between 1 September 2019 and 31 August 2021.

**Coming into effect**

The amendments will apply to issuers’ preliminary annual results announcements for financial years commencing on or after 1 September 2019.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing

# Update No. 59

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## **Update No. 59**

February 2019

Dear Sirs,

### **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on Proposed Changes to Documentary Requirements relating to Listed Issuers and Other Minor Rule Amendments" published on 1 February 2019.

We have amended the GEM Listing Rules to:

- revise the declaration and undertaking by directors and supervisors in the form set out in Appendix 6A, 6B or 6C to include an undertaking to inform the Exchange of the director's or supervisor's contact information, to grant the Exchange with the power to gather information from supervisors and to align the Main Board Rules and the GEM Rules in relation to directors' and supervisors' obligations;
- streamline listed issuers' filing requirements in respect of an issue of new securities;
- remove the filing requirements for (i) documents that are submitted to the Exchange for record only; and (ii) documents whose contents are already disclosed to the public; and
- make other minor Rule amendments and housekeeping Rule amendments.

### **Coming into effect**

The amendments will come into effect on 1 March 2019.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing

# Update No. 58

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")**

## Update No. 58

December 2018

Dear Sirs,

### **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions Paper on Review of the Corporate Governance and Related Listing Rules" published on 27 July 2018.

We have amended the Listing Rules to:

- strengthen the transparency and accountability of the board and/or nomination committee and election of directors, including independent non-executive directors ("INEDs");
- improve transparency of INEDs' relationships with issuers;
- enhance criteria for assessing independence of potential INED candidates;
- promote board diversity, including gender diversity; and
- require greater dividend policy transparency.

### **Coming into effect**

The amendments will come into effect on 1 January 2019.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing



# **Update No. 57**

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")  
Update No. 57**

August 2018

Dear Sirs,

## **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on Proposed Exemption for Aircraft Leasing Activities" published on 17 August 2018.

We have amended the GEM Listing Rules to exempt qualified aircraft leasing activities from the specific disclosure and/or shareholders' approval requirements normally applicable to notifiable transactions.

### **Coming into effect**

The amendments will come into effect on 15 October 2018.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Head of Listing

# Update No. 56

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")  
Update No. 56**

May 2018

Dear Sirs,

## **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on Delisting and Other Rule Amendments" published on 25 May 2018.

We have amended the GEM Listing Rules to:

- (i) add a separate delisting criterion to allow the Exchange to delist an issuer after a trading suspension of 12 continuous months; and
- (ii) provide transitional arrangements for issuers whose securities are under suspension immediately before the effective date of the amendments. The current Rules will continue to apply for issuers having been given a notice period before delisting. All other issuers will be subject to the new Rules.

There are other Rule amendments to (i) remove a bright line trading halt requirement where a major (or above) transaction has not been announced by an issuer, in which case a trading suspension may still be required if the transaction is inside information, and (ii) expedite the process for the Exchange directing resumption of trading, with a view to keeping any trading suspension to a minimum.

### **Coming into effect**

The amendments will come into effect on 1 August 2018.

Please click [HERE](#) to see the amendment to the GEM Listing Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing

# Update No. 55

**Note to subscribers for the amendments to  
the rules governing the listing of securities on the GEM (the "GEM Listing Rules")  
Update No. 55**

May 2018

Dear Sirs,

## **Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on the Capital Raisings by Listed Issuers" published on 4 May 2018.

We have amended the GEM Listing Rules to include:

(i) **Highly dilutive capital raisings:**

- disallow rights issues, open offers and specific mandate placings, individually or when aggregated within a rolling 12-month period, that would result in a material value dilution (25% or more on a cumulative basis), unless there are exceptional circumstances e.g. the issuer is in financial difficulties;

(ii) **Rights issues and open offers:**

- require minority shareholders' approval for all open offers, unless the new shares are to be issued under the authority of an existing general mandate;
- remove the connected transaction exemption currently available to connected persons acting as underwriters of rights issues or open offers;
- require issuers to adopt either excess application arrangements or compensatory arrangements for the disposal of unsubscribed shares in rights issues or open offers;
- where an issuer engages an underwriter in a rights issue or open offer, require it to

be licensed under the Securities and Futures Ordinance and independent from the issuer and its connected persons, with the exception that a controlling shareholder or substantial shareholder may act as an underwriter if compensatory arrangements are made available for the unsubscribed offer shares and the connected transaction Rules are complied with;

- require issuers to disregard any excess applications made by the controlling shareholders and their associates in excess of the offer size minus their pro-rata entitlements;

**(iii) Placing of warrants or convertible securities under general mandate:**

- disallow the use of general mandate for placing of warrants;
- restrict the use of general mandate for placing of convertible securities with an initial conversion price that is not less than the market price of the shares at the time of placing;

(iv) There are also other Rule amendments to enhance disclosure of the use of proceeds from equity fundraisings, and to impose an additional requirement for subdivisions and bonus issues of shares to ensure an orderly market.

**Coming into effect**

The amendments will come into effect on 3 July 2018.

Please click [HERE](#) to see the amendment to the GEM Listing Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing

**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the "GEM Listing Rules")**

**Update No. 54**

December 2017

Dear Sirs,

**Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and filing instructions. The reprinted pages incorporate amendments to implement the proposals of the "Consultation Conclusions on the Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules" published on 15 December 2017.

We have amended the GEM Listing Rules to include:

- (i) an increase to the minimum expected market capitalisation of a new applicant at the time of listing from HK\$100 million to HK\$150 million;
- (ii) an increase to the minimum public float value of a new applicant at the time of listing from HK\$30 million to HK\$45 million;
- (iii) an increase to the minimum cash flow requirement for a new applicant from HK\$20 million to HK\$30 million;
- (iv) the introduction of a mandatory public offering requirement of at least 10% of the total offer size for all GEM IPOs with a clawback mechanism in line with Practice Note 18 to the Main Board Listing Rules;
- (v) a requirement for the prior consent of the Exchange for the placing of securities of a new applicant to core connected persons, connected clients and existing shareholders, and their respective close associates;
- (vi) the extension of the post-IPO lock-up requirement on controlling shareholders from one year to two years; and
- (vii) the change of the name "Growth Enterprise Market" and 「創業板」 to "GEM" to reflect the new role of GEM as a market for small and mid-sized companies

In addition, we have amended the GEM Listing Rules to state that the chief executive of HKEC (an ex officio non-voting member) will not attend GEM Listing Committee meetings on individual cases in the first instance or on review as a result of the "Joint Consultation Conclusions on Proposed Enhancements to The Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation" published on 15 September 2017.

**Coming into effect**

The amendment will come into effect on 15 February 2018.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing

Updated 15 Dec 2016



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the "GEM Listing Rules")**

**Update No. 53**

June 2016

Dear Sirs,

**Housekeeping Amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate housekeeping amendments to the GEM Listing Rules.

We have amended the GEM Listing Rules to:

- change the commencement of the evening window for publication of issuers' documents on the Exchange's website from 4:15 p.m. to 4:30 p.m. on normal business days and from 12:00 noon to 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year when there is no afternoon trading session, consequential to the implementation of the closing auction session;
- revise the headline categories for Debt and Structured Products;
- remove the transitional arrangement regarding submission of Application Proof which has already lapsed; and
- update certain terminologies, Rule references, and correct clerical errors.

**Coming into effect**

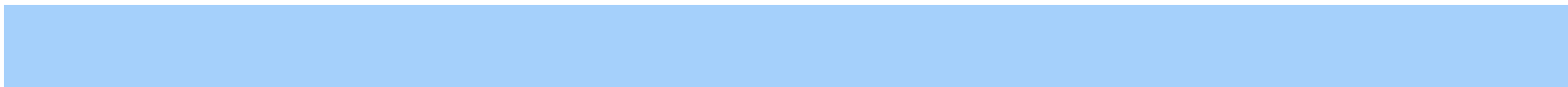
The amendment will come into effect on 25 July 2016.

Please click [HERE](#) to see the housekeeping amendments to the GEM Listing Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing







**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 52**

June 2016

Dear Sirs,

**Amendment to the GEM Listing Rules to introduce a new headline category**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendment to introduce a new headline category “Trading Information of Leveraged and Inverse Products” under “Equity”.

In connection with the launch of Leveraged and Inverse Products in June 2016, we have amended the GEM Listing Rules to introduce the new headline category to facilitate investors’ access to information published by issuers of Leveraged and Inverse Products on the Exchange’s website.

**Coming into effect**

The amendment will come into effect on 13 June 2016.

Please click [HERE](#) to see the amendment to the GEM Listing Rules relating to the new headline category.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the "GEM Listing Rules")**

**Update No. 51**

January 2016

Dear Sirs,

**Amendments to the GEM Listing Rules relating to the Corporate Governance Code and Corporate Governance Report, the Environmental, Social and Governance Reporting Guide, and minor Listing Rule amendments**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in: (i) the "Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report" published in December 2014; and (ii) the "Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide" published in December 2015. The reprinted pages also incorporate minor amendments relating to the terms of office of GEM Listing Committee members and the composition of the Listing Nominating Committee.

We have amended the GEM Listing Rules to:

Amendments to the Corporate Governance Code and Corporate Governance Report ("Corporate Governance Code")

- incorporate risk management into the Corporate Governance Code where appropriate;
- define the roles and responsibilities of the board and management;
- clarify that the board has an ongoing responsibility to oversee the issuer's risk management and internal control systems;
- upgrade the provisions on the annual review of the effectiveness of the issuer's risk management and internal control systems, and related disclosures in the Corporate Governance Report, from Recommended Best Practices ("RBPs", i.e. voluntary) to Code Provisions ("CPs", i.e. subject to "comply or explain");
- revise and upgrade the provision on issuers' obligation to review the need for an internal audit function on an annual basis if they do not have one from an RBP to a CP;

Amendments to the Environmental, Social and Governance Reporting Guide ("ESG Guide") and related GEM Listing Rules

- require issuers to state in their annual reports or ESG reports whether they have complied with the "comply or explain" provisions set out in the ESG Guide for the relevant financial year; and if they have not, to give considered reasons in their ESG reports;
- revise the introductory section of the ESG Guide to provide more guidance on reporting and to bring it more in line with international standards;
- re-arrange the ESG Guide into two Subject Areas: A. Environmental and B. Social;
- upgrade the General Disclosures under each Aspect of the ESG Guide from recommended disclosures (i.e. voluntary) to "comply or explain" provisions;

- revise the wording of the General Disclosures (where relevant) to be consistent with the directors' report requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), which have been incorporated in the Rules for financial years ending on or after 31 December 2015;
- upgrade the Key Performance Indicators ("KPIs") in the "Environmental" Subject Area of the ESG Guide from recommended disclosures to "comply or explain" provisions;
- revise the wording of the recommended disclosures of the ESG Guide to bring it more in line with international standards of ESG reporting by incorporating disclosure of gender diversity;

Minor amendments relating to the terms of office of GEM Listing Committee members and the composition of the Listing Nominating Committee

- provide that GEM Listing Committee members will be appointed for a term of approximately one year and vacate office at the end of their term, unless they are re-appointed; and
- correct a printing error in the GEM Listing Rules to reinstate the reference to the Chairman of the Securities and Futures Commission as a member of the Listing Nominating Committee, in line with the Main Board Listing Rules.

**Coming into effect**

The amendments come into effect as follows:-

- (a) the amendments to the Corporate Governance Code come into effect for accounting periods beginning on or after 1 January 2016;
- (b) the amendments to the ESG Guide and related GEM Listing Rules will come into effect in two phases:
  - (i) the GEM Listing Rule amendments and the upgrade of the General Disclosures in the ESG Guide from recommended disclosures to "comply or explain" provisions, as well as the revised recommended disclosures, are effective for issuers' financial years commencing on or after 1 January 2016; and
  - (ii) the upgrade of the KPIs in the "Environmental" Subject Area of the ESG Guide from recommended disclosures to "comply or explain" provisions will be effective for issuers' financial years commencing on or after 1 January 2017; and
- (c) the minor amendments relating to the terms of office of GEM Listing Committee members and the composition of the Listing Nominating Committee will take effect on 1 January 2016.

Please click [HERE](#) to see the amendments to the Corporate Governance Code.

Please click [HERE](#) to see the amendments to the ESG Guide and related GEM Listing Rules.

Please click [HERE](#) to see the minor amendments relating to the terms of office of GEM Listing Committee members and the composition of the Listing Nominating Committee.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham





**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 50**

April 2015

Dear Sirs,

**Amendments to the GEM Listing Rules relating to disclosure of financial information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and minor/housekeeping Rule amendments**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in the consultation conclusions on “Review of Listing Rules on Disclosure of Financial Information with Reference to New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments” published in February this year.

We have amended the GEM Listing Rules to:

Amendments relating to the disclosure of financial information

- align the requirements for disclosure of financial information in Chapter 18 with reference to the disclosure provisions in the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong);
- streamline the disclosure requirements and remove duplications under Hong Kong Financial Reporting Standards;
- introduce new requirements for issuers that revise their published financial reports or their result announcements include prior period adjustments due to correction of material errors;

Amendments unrelated to the disclosure of financial information

- make consequential changes due to the enactment of the new Companies Ordinance;
- make minor Rule amendments; and
- make housekeeping amendments which involve no change in policy direction.

**Coming into effect**

The amendments come into effect as follows:-

- (a) the revised Chapter 18 in relation to disclosure of financial information in preliminary announcements of results, quarterly reports, interim reports and annual reports will be applicable for accounting periods ending on or after 31 December 2015;
- (b) the revised Chapter 7 in relation to disclosure of financial information in the accountants' report applicable to listing

applications, reverse takeovers, major transactions and very substantial acquisitions will be applicable for accountants' reports where the latest period reported on in the accountants' report ends on or after 31 December 2015; and

(c) the amendments other than those mentioned in paragraphs (a) and (b) above will take effect on 1 April 2015.

Early adoption is permitted in relation to the amendments mentioned in paragraphs (a) and (b) above. However, issuers should not adopt those amendments prior to the effective date of Part 9 "Accounts and Audit" of the new Companies Ordinance, the provisions of which are applicable for the first financial reporting year beginning on or after 3 March 2014, the commencement date of the new Companies Ordinance.

Please click [HERE](#) to see the amendments to the GEM Listing Rules mentioned in paragraphs (a) to (c) above.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 49**

March 2014

Dear Sirs,

**GEM Listing Rule amendments to Connected Transaction Requirements  
and Definitions of Connected Person and Associate**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in the consultation conclusions on “Review of Connected Transaction Rules” and “Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules” published in March this year.

We have amended the GEM Listing Rules to:

Connected transactions

- make plain language amendments to Chapter 20;
- exempt transactions with connected persons at the subsidiary level from the shareholders’ approval requirement;
- remove the exemption for qualified property acquisitions involving qualified connected persons;
- exclude persons connected with insignificant subsidiaries of the issuer from the definition of connected person;
- exclude from the definition of associate any trustee of an employee share scheme/ occupational pension scheme if the connected persons’ interests in the scheme are together less than 30% and the scheme is established for a wide scope of participants;
- in defining a “30%-controlled company”, exclude any company in which the connected person and his/its associates together have an interest of less than 10%, other than the indirect interest held through the issuer;
- exclude from the definition of connected transaction the following transactions with third parties, where a controller is, or will be, a shareholder of the target company:
  - any disposal of interests in the target company to a third party where a controller at the issuer level is the target company’s substantial shareholder;
  - any acquisition/disposal of interests in the target company from/to a third party where a controller at the subsidiary level is the target company’s substantial shareholder; and
  - transactions with third parties described in paragraphs (ii) to (iv) of current Rule 20.13(1)(b);
- increase the monetary threshold for fully exempt connected transactions from HK\$1 million to HK\$3 million;
- remove the 1% cap on transaction value which is currently a condition for the exemption for provision/receipt of consumer goods or services to/from a connected person;

- exempt indemnities provided to, or purchase of insurance for, directors against liabilities incurred in the course of performing their duties;

▪ for connected transactions involving options arrangements:

- classify the termination of an option granted by a connected person as if the option is exercised unless the issuer has no discretion over the termination; and
  - introduce alternative classification Rules for the transfer, non-exercise or termination of an option granted by a connected person;
- align the auditors' confirmation on continuing connected transactions with the relevant practice note issued by the Hong Kong Institute of Certified Public Accountants;
  - clarify that the independent board committee's opinion on a connected transaction must also cover whether the transaction is on normal commercial terms and in the issuer's ordinary and usual course of business;

#### Definitions of connected person and associate

- rename the definitions of connected person and associate in Chapter 1 as "core connected person" and "close associate" respectively; and
- apply the Chapter 20 definitions of connected person and/or associate in the following areas:
  - the reverse takeover Rules in Chapter 19 which will apply to significant acquisitions from the incoming controlling shareholder and his/its associates;
  - significant corporate actions (e.g. withdrawal of listing or refreshment of general mandate), spin-off proposals and directors' service contracts that require shareholders' approval, where the controlling shareholder or directors and their associates may not vote;
  - grant of share options to connected persons under Chapter 23;
  - in the case of a new listing application, the sponsor's confirmation on whether it is a connected person of the new applicant;
  - in the case of a connected transaction by a listed issuer, the independent financial adviser's confirmation on whether it is, or holds more than 5% interest in, an associate of the counterparty of the transaction; and
  - other Rules where the use of the Chapter 20 definitions of connected person and associate are corollary to the connected transaction requirements.

#### **Coming into effect**

The amendments will come into effect on 1 July 2014.

Please click [HERE](#) to see the revised Chapter 20 of the GEM Listing Rules.

Please click [HERE](#) to see the consequential GEM Listing Rule amendments relating to connected transactions.

Please click [HERE](#) to see the GEM Listing Rule amendments relating to the definitions of connected person and associate.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing





**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 48**

March 2014

Dear Sirs,

**Amendments to the GEM Listing Rules relating to headline categories**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to certain headline categories.

We have replaced the headline categories “Overseas Regulatory Announcement” and “Other” with the following headline categories:

- Other – Business Update
- Other – Corporate Governance Related Matters
- Other – Litigation
- Other – Miscellaneous
- Other – Trading Update
- Overseas Regulatory Announcement – Board/Supervisory Board Resolutions
- Overseas Regulatory Announcement – Business Update
- Overseas Regulatory Announcement – Corporate Governance Related Matters
- Overseas Regulatory Announcement – Issue of Securities and Related Matters
- Overseas Regulatory Announcement – Other
- Overseas Regulatory Announcement – Trading Update

We have also introduced a new headline category under “Corporate Positions and Committees/Corporate Changes”:

- Change in Share Registrar/Transfer Agent

**Coming into effect**

The amendments will come into effect on 1 April 2014.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to new headline categories.

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 47**

March 2014

Dear Sirs,

**Amendments to the GEM Listing Rules regarding annual listing fees in relation to the implementation of the new  
Companies Ordinance**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to the GEM Listing Rules on annual listing fees consequential to the implementation of the new Companies Ordinance.

We have amended the GEM Listing Rules to provide that:

- for issuers whose shares cease to have a nominal value subsequent to their date of listing (the “no-par event”), the nominal value per share that was used to calculate the annual listing fees immediately before the no-par event (the “notional nominal value per share”) will be used to calculate the annual listing fees from the no-par event. If an issuer conducts a subdivision of shares after the no-par event, the notional nominal value per share will be adjusted accordingly for calculating annual listing fees from the subdivision, subject to a minimum of HK\$0.25; and
- for issuers whose shares have no nominal value on their date of listing, the nominal value per share shall be deemed to be HK\$0.25 for calculating annual listing fees. This is in line with the existing GEM Listing Rules and their application to issuers with no nominal value per share or a nominal value per share less than HK\$0.25.

**Coming into effect**

The amendments will come into effect on 3 March 2014.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to annual listing fees.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 46**

**Various amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate:

- (i) amendments to complement the new sponsor regulation proposed in the “Consultation Conclusions on the regulation of IPO sponsors” published by the Securities and Futures Commission on 12 December 2012; and
- (ii) minor amendments to the GEM Listing Rules.

We have amended the GEM Listing Rules to:

New Sponsor Regulation

- dovetail the Listing Rules with the new paragraph 17 of the “Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission”;
- require that an application proof must be substantially complete;
- impose an 8-week moratorium on listing applications returned on the grounds that the application proofs or other related documents are considered not substantially complete and establish an accelerated review process for returned listing applications;
- implement the proposal to publish the application proof (subject to certain transitional arrangements) and the post hearing information pack (“PHIP”) on the Exchange’s website at the prescribed timing;
- introduce the content and publication requirements of application proofs and PHIPs; and

- refine the number of required documents for new listing applications.

Minor GEM Listing Rule amendments

- rectify clerical errors; and
  
- clarify and/or update relevant definitions, terminology and references.

**Coming into effect**

The amendments will come into effect on 1 October 2013. Please also refer to the Exchange's announcement of 23 July 2013 for transitional arrangements.

Please click [HERE](#) to see the amendments to the GEM Listing Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

David Graham  
Chief Regulatory Officer and Head of Listin



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 45**

September 2013

Dear Sirs,

**GEM Listing Rule amendments to the Corporate Governance Code and Corporate Governance Report relating to  
board diversity**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in the “Consultation Conclusions on Board Diversity” published on 13 December 2012.

We have amended the GEM Listing Rules to:

- introduce a Code Provision in the Corporate Governance Code and Corporate Governance Report that requires issuers – on a “comply or explain” basis – to have a policy concerning diversity in the board, and to disclose that policy in their Corporate Governance Report; and
  
- introduce a requirement that if the issuer has a board diversity policy, the disclosure in its Corporate Governance Report concerning the nomination committee should include any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives.

**Coming into effect**

The amendments will come into effect on 1 September 2013.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to board diversity.

Yours faithfully,

David Graham  
Chief Regulatory Officer and Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 44**

December 2012

Dear Sirs,

**GEM Listing Rule amendments consequential on the statutory backing of the obligation to disclose price sensitive information**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to the GEM Listing Rules set out in the Consultation Conclusions on Rule Changes Consequential On The Enactment Of The Securities And Futures (Amendment) Ordinance 2012 To Provide Statutory Backing To Listed Corporations' Continuing Obligation To Disclose Inside Information published on 30 November 2012.

We have amended the GEM Listing Rules to:

- minimise duplication and overlap with the Securities and Futures (Amendment) Ordinance 2012 which implements the statutory obligation to disclose inside information;
- remove the existing continuing disclosure obligations which will become part of the statutory regime;
- make changes consequential on the removal of these core provisions; and
- introduce the concept of “trading halt”.

**Coming into effect**

The amendments will come into effect on 1 January 2013.

Please click [HERE](#) to see the amendments to the GEM Listing Rules consequential on the statutory backing of the obligation to disclose price sensitive information.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 44**

December 2012

Dear Sirs,

**Minor GEM Listing Rule amendments and implementation of the Environmental, Social and Governance Reporting Guide**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate minor amendments to the GEM Listing Rules and amendments to implement proposals in the Consultation Conclusions on Environmental, Social and Governance Reporting Guide published on 31 August 2012.

We have amended the GEM Listing Rules to:

Minor GEM Listing Rule amendments

- rectify clerical errors;
- clarify and/or update relevant definitions, terminology and references; and
- make plain language amendments where appropriate.

Environmental, Social and Governance Reporting Guide

- incorporate the Environmental, Social and Governance Reporting Guide as a recommended practice; and
- encourage issuers to report on environmental and social matters.

**Coming into effect**

The minor GEM Listing Rule amendments will come into effect on 1 January 2013. The Environmental, Social and Governance Reporting Guide will apply to issuers with financial years ending after 31 December 2012.

Please click [HERE](#) to see the minor GEM Listing Rule amendments.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to the implementation of the Environmental, Social and Governance Reporting Guide.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing





**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 43**

March 2012

Dear Sirs,

**GEM Listing Rule amendments to the Corporate Governance Code  
and associated Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement the remaining proposals in the Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules published on 28 October 2011.

We have amended the GEM Listing Rules to:

- require independent non-executive directors to constitute one-third of an issuer’s board. Issuers must comply with this Rule by 31 December 2012;
  
- require issuers to set up a remuneration committee with specific terms of reference and the committee’s chairman and a majority of the members to be independent nonexecutive directors;
  
- require issuers to publish the procedures for shareholders to propose a person for election as a director on their websites;
  
- require issuers to publish their constitutional documents on the Exchange’s website and on their own;
  
- merge Appendix 16 (“Corporate Governance Report”) with Appendix 15 (“Corporate Governance Code”) and introduce new and revised Principles, Code Provisions and Recommended Best Practices; and
  
- introduce new and revised disclosure requirements for the Corporate Governance Report.

**Coming into effect**

The amendments will come into effect on 1 April 2012.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to the corporate governance review.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the "GEM Listing Rules")**

**Update No. 42**

December 2011

Dear Sirs,

**GEM Listing Rule amendments to Property Valuation Requirements and  
to the Review of the Corporate Governance Code**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in the Joint Consultation Conclusions on Proposed Changes to Property Valuation Requirements published on 20 October 2011 and certain of the proposals in the Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules ("Corporate Governance Conclusions") published on 28 October 2011. We will publish another Update containing the remaining proposals in the Corporate Governance Conclusions in due course.

We have amended the GEM Listing Rules to:-

Property valuation requirements

- For applicants:
  - require different valuation requirements for property activities and non-property activities;
  - for property activities, require property valuations unless the property interest has a carrying amount below 1% of the applicant's total assets. The total carrying amount of property interests not valued must not exceed 10% of the applicant's total assets. Summary disclosure in the listing document is allowed if the market value of a property interest as determined by the valuer is less than 5% of the applicant's total property interests that are required to be valued;
  - for non-property activities, require a property valuation only if the carrying amount of a property interest is or is above 15% of the applicant's total assets; and
  - for mining activities, not require a separate valuation of property interests ancillary to mining activities if the mining activities and ancillary property interests have been valued as a business or an operating entity.
- For issuers:
  - remove property valuation requirements for an acquisition or disposal of a company listed on the Exchange;
  - for an acquisition or disposal of an unlisted company, not require valuations if the carrying amount of a property interest in the company being acquired or disposed of is below 1% of the issuer's total assets. The total carrying amount of property interests not valued must not exceed 10% of the issuer's total assets; and
  - for mining activities, not require a separate valuation of property interests ancillary to mining activities if the mining activities and ancillary property interests have been valued as a business or an operating entity.

Corporate governance review

- emphasise directors' duties and provide practical guidance to directors;
- remove the requirement for a company secretary to be ordinarily resident in Hong Kong and introduce a requirement for company secretary to undergo 15 hours' professional training in a financial year;
- remove the requirement for issuers to publish a Next Day Disclosure Form following the exercise of an option for shares in the issuer by a director of its subsidiaries;

- allow a chairman at a general meeting of shareholders to exempt certain prescribed procedural and administrative matters from a vote by poll;
- clarify the disclosure requirements regarding poll results;
- remove the 5% exemption for voting by a director on a board resolution in which he has an interest;
- require disclosure of information on the retirement or removal of a director or supervisor;
- require disclosure of information on the appointment, resignation, re-designation, retirement or removal of a chief executive;
- require disclosure of director's information on all civil judgments of fraud, breach of duty, or other misconduct involving dishonesty;
- clarify the requirement on disclosure of sanctions;
- introduce a new Rule requiring shareholders' approval at a general meeting of any proposal to appoint or remove an auditor before the term of his office;
- require the circular relating to a major transaction or a connected transaction to contain information on the competing interests of any proposed director of the issuer and his associates;
- require disclosure of a chief executive's emoluments by name in the issuer's financial statements; and
- require fuller contact details of the issuer's authorised representatives.

#### **Coming into effect**

The amendments will come into effect on 1 January 2012.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to amendments to property valuation requirements.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to the corporate governance review.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 41**

21 October 2011

Dear Sirs,

**Debt Issues for Professional Investors Only**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in the Consultation Conclusions on the Listing of Debt Issues to Professional Investors Only published on 21 October 2011.

The amendments:-

- Present the Rules in a more accessible language;
- Align the definition of professional investor in the Rules with that in the Securities and Futures Ordinance;
- Leave the existing issuer eligibility criteria broadly unchanged;
- Simplify application and approval procedures;
- Replace the current prescribed disclosures for listing documents with a requirement to include information that is customary for offers of debt securities to professionals; and
- Remove continuing obligations on issuers that are not appropriate for offers that are only available to professionals.

**Coming into effect**

The amendments will come into effect on 11 November 2011.

Please click [HERE](#) to see the amended Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 40**

20 May 2011

Dear Sirs,

**Ex-entitlement Trading and Shareholder Approval**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement proposals in the Consultation Conclusions on Ex-entitlement Trading and Shareholder Approval published on 20 May 2011.

We have amended the GEM Listing Rules to:-

- Prevent a share from trading ex-entitlement before shareholder approval;
- Require the record date to be set at least 3 business days after the date of shareholder approval (i.e. at least one cum-trading day will be provided);
- Require a minimum of one last cum-trading day after the general meeting; and
- Apply the proposed changes to all conditional entitlements that are subject to general meeting approval.

**Coming into effect**

The amendments will come into effect on 20 June 2011.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to Ex-entitlement Trading and Shareholder Approval.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 39**

28 January 2011

Dear Sirs,

**Amendments to the GEM Listing Rules relating to changes in trading hours**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions.

From 7 March 2011, HKEx will extend trading hours by starting its securities and derivatives markets earlier and shortening the lunch break in two phases. The reprinted pages incorporate Rule amendments to align the following listing matters with the extended trading hours:

- the publication windows for issuers' announcements on the GEM website;
- the deadline for publishing an issuers' monthly return;
- the cut-off time for exercising structured products with an early exercise feature; and
- the cut-off time for emergency share registration and book closure arrangements during a black rainstorm warning.

**Coming into effect**

The amendments will come into effect on 7 March 2011.

Please click [HERE](#) to see the amended Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the "GEM Listing Rules")**

**Update No. 38**

21 January 2011

Dear Sirs,

**Amendments to the GEM Listing Rules relating to  
the Consultation Conclusions on proposed changes to requirements for  
Qualified Property Acquisitions and formation of joint ventures**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions.

The reprinted pages incorporate amendments to implement proposals in the consultation conclusions on "Proposed Changes to Requirements for Qualified Property Acquisitions and Formation of Joint Ventures" published on 21 January 2011.

We have amended the GEM Listing Rules to:

- expand the scope of the Qualified Property Acquisition exemption to cover government land acquisitions in the Mainland through public auctions or tenders (the current exemption applies to land acquisitions in Hong Kong only). For government land acquisitions in other jurisdictions, individual waiver applications will be considered if they meet the criteria described in the new Rules;
- remove the exemption conditions that are considered to be impractical or burdensome, including (i) the restrictions on the joint venture's financing and profit distribution arrangements when the Qualified Property Acquisition is undertaken on a joint basis; and (ii) the requirements for the issuer to obtain an annual general mandate from shareholders before it engages in any Qualified Property Acquisition on a joint basis with a Qualified Connected Person;
- accelerate the disclosure of information relating to the formation of joint ventures for Qualified Property Acquisitions in the annual report to the announcement and circular published at the time of the transaction;
- exempt Qualified Property Acquisitions from the property valuation requirement; and
- exempt the formation of a joint venture from being treated as a transaction under the Rules on notifiable transactions if it is engaging in a single-purpose project of a revenue nature to the issuer and in its ordinary and usual course of business.

**Coming into effect**

The amendments come into effect on 1 February 2011.

Please click [HERE](#) to see the amended Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments  
to the rules governing the listing of securities on the Growth Enterprise Market  
(the “GEM Listing Rules”)**

**Update No. 37**

15 December 2010

Dear Sirs,

**Minor amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions.

The reprinted pages incorporate amendments to remove the requirements for issuers to file various printed documents with the Exchange.

**Coming into effect**

The amendments will come into effect on 1 January 2011.

Please click [HERE](#) to see the amended Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing





**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

**Update No. 36**

December 2010

Dear Sirs,

**Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong**

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate amendments to:-

- allow Mainland incorporated issuers to prepare their financial statements using Mainland accounting standards; and
- allow Mainland audit firms approved by the Ministry of Finance of China and the China Securities Regulatory Commission to service these issuers using Mainland auditing standards.

We also enclose the filing instructions.

**Coming into effect**

The amendments come into effect on 15 December 2010.

Please click [HERE](#) to see the amended Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing



**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

**Update No. 35**

January 2011

Dear Sirs,

**Amendments to the GEM Listing Rules relating to Mixed Media Offer**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate amendments to implement the Consultation Conclusions on the Mixed Media Offer proposal jointly published by the Exchange and the Securities and Futures Commission in November 2010.

The rule amendments:-

- give effect to the class exemption available under section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap.32L). Subject to conditions, the class exemption allows issuers of equity securities and debentures to issue paper application forms in public offers without an accompanying paper prospectus; and
- introduce a new headline category for Mixed Media Offer-related announcements which may be submitted for publication under broader e-submission windows.

We also enclose the filing instructions.

**Coming into effect**

The amendments will become effective when the class exemption becomes law expected to be on 1 February 2011.

Please click [HERE](#) to see the amendments to the GEM Listing Rules relating to Mixed Media Offer.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens JP  
Head of Listing

**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")****Update No. 34**

May 2010

Dear Sirs,

**Various amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules and the filing instructions. The reprinted pages incorporate:

- amendments to implement the proposals in the consultation conclusions on "Proposed Changes to Connected Transaction Rules", "Proposed Changes to Requirements for Circulars and Listing Documents of Listed Issuers", and "New Listing Rules for Mineral Companies" published in May this year; and
- minor amendments.

We have amended the GEM Listing Rules to:

Connected transactions

- exempt transactions with connected persons at the subsidiary level where the size of the subsidiary is insignificant to the issuer;
- exempt revenue transactions with associates of a substantial shareholder who is a passive investor;
- revise the percentage thresholds for the de minimis exemptions:
  - from 0.1% to 1% for fully exempt transactions which involve persons connected only at the subsidiary level; and
  - from 2.5% to 5% for exemption from shareholder approval requirements;
- extend the de minimis exemptions to issues of securities by an issuer's subsidiary (ie deemed disposals);
- exempt provision of financial assistance by an issuer to a connected person in which the issuer is a shareholder provided it is on normal commercial terms, pro-rata, and on a several basis;
- exempt a disposal by an issuer of its interest in a subsidiary to a third party where the subsidiary has a substantial shareholder that is a controller only because of his/its relationship with the subsidiary under Rule 20.13(1)(b);
- extend the exemption for an issuer acquiring consumer goods or services from connected persons for the purpose of or in connection with the issuer's business if there is an open market and transparency in pricing the goods or services concerned;
- restrict the circumstances in which a non wholly-owned subsidiary is a connected person by:
  - excluding a non wholly-owned subsidiary which is connected simply because it is (i) a substantial shareholder of another subsidiary or (ii) an associate of a person connected only at the subsidiary level; and
  - introducing an exemption for intra-group transactions between a "connected subsidiary" (as defined in Rule 20.11(5)) and its subsidiaries or between its subsidiaries;
- remove the following persons from the definition of connected person:
  - management shareholders;

- promoters of PRC issuers; and
- “PRC Governmental Body” for non PRC issuers;
- remove the following persons from the definition of associate:
  - the holding company of an investee company (ie a company over which a connected person and/or any party closely related to this connected person, individually or together, has control); or a fellow subsidiary of this holding company; and
  - a company controlled by the investee company (not being a subsidiary of the investee company), and its subsidiary, holding company or fellow subsidiary;
- extend the definition of “associate” to a company in which a connected person’s relative has a majority control; and
- clarify that the annual review requirements apply to continuing connected transactions subject to reporting and disclosure requirements under the connected transaction Rules.

#### Circulars and listing documents

- for very substantial disposal circulars, introduce options to allow (i) the issuer to disclose its disposal target’s financial information, and (ii) the issuer’s auditors or reporting accountants to conduct a review of the financial information. These options are alternatives to the current requirement for an accountant’s report on the issuer group (including separate note disclosure on the disposal target);
- relax the reporting period deadline in an acquisition circular. Under the new Rule, the reporting period will include at least three consecutive financial years and end not more than six months before the circular date;
- allow issuers to incorporate previously published financial information in their circulars or listing documents by reference;
- for listing documents of listed PRC and overseas issuers, remove disclosure and inspection requirements regarding provisions in their constitutional documents and regulatory provisions in the relevant jurisdictions;
- for a notifiable transaction involving an acquisition and a disposal, allow each of the acquisition and disposal to comply with the circular content requirements applicable to its respective transaction classification, rather than the higher classification;
- require the working capital sufficiency statement in transaction circulars to take into account the effect of the transaction;
- remove the requirement to disclose combined financial information of the enlarged group;
- allow PRC issuers to despatch circulars after issuing notice of general meeting and before the deadline for giving such notice under the PRC Company Law;
- require information in board minutes for connected transactions to be disclosed in circulars instead of in submissions to the Exchange;
- remove the 21-day deadline for despatching circulars (other than information circulars), and require disclosure of the expected date of despatch and any delay;
- change the timing for despatching information circulars from calendar days to business days; and
- align the directors’ responsibility statement with the general disclosure principles under Rule 17.56.

#### Mineral Companies

- allow companies with at least a meaningful portfolio of Contingent or Indicated Resources to list;
- require new applicant Mineral Companies to demonstrate that they have rights to participate actively in the exploration for and/or extraction of natural resources;
- require new applicant Mineral Companies to demonstrate that they have available working capital for 125% of the group’s present requirements, that is for the next twelve months;

- require new applicant Mineral Companies to include independent technical reports (“a Competent Person’s Report”) on reserves and resources in their listing documents;
- require new applicant Mineral Companies that have not commenced production, to disclose plans to proceed to production with indicative dates and costs;
- require Mineral Companies acquiring or disposing of mineral or petroleum assets as part of a major (or above) transaction to present a Competent Person’s Report in the relevant shareholder circular. Major (or above) acquisitions must also be accompanied by Valuation Reports prepared by Competent Evaluators;
- require listed issuers that acquire mineral or petroleum assets as part of a major (or above) transaction to provide a Competent Person’s Report and a Valuation Report in the relevant shareholder circular;
- require Mineral Companies, and listed issuers that publicly disclose statements on reserves and resources, to update such statements once a year in their annual reports;
- require Mineral Companies to include in their interim (half-yearly) and annual reports details of their exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review;
- require that Competent Persons’ Reports be prepared under a recognized Reporting Standard. Other standards may be used but reconciliation to a Reporting Standard must be provided; and
- require that Valuation Reports be prepared under CIMVAL, the VALMIN Code or the SAMVAL Code.

#### Others

- change the subscription periods for right issues and open offers from calendar days to business days, which relate to the proposals to accelerate rights issues and open offers implemented in February 2010; and
- update the reference to property valuation standards to “The Hong Kong Institute of Surveyors Valuation Standards on Properties” and the “International Valuation Standards”.

#### **Coming into effect**

The amendments will come into effect on 3 June 2010.

Please click [HERE](#) to see the amendments to the connected transaction Rules.

Please click [HERE](#) to see the amendments to the requirements for issuers’ circulars and listing documents.

Please click [HERE](#) to see the amendments to the requirements for mineral companies.

Please click [HERE](#) to see other amendments to the GEM Listing Rules.

Yours faithfully,

For and on behalf of  
The Stock Exchange of Hong Kong Limited

Mark Dickens  
Head of Listing



**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

**Update No. 33**

December 2009

Dear Sirs,

**Acceleration of rights issues**

We enclose reprinted pages of the Listing Rules. The reprinted pages incorporate amendments to shorten the minimum notice period for book closure in respect of rights issues from 14 calendar days to six business days and codify the requirements where the issuer decides on a record date without book closure.

A new note has been added to the rule 17.78 to require, in the case of a rights issue, the issuer to provide at least two trading days (during neither of which trading is interrupted) for trading cum-rights securities before book closure. The amendments implement the proposals in the "Consultation Conclusions on Proposals to Accelerate Rights Issues and Open Offers" published in December this year.

We also enclose the filing instructions.

**Coming into effect**

The amendments will come into effect on 1 February 2010.

**Please click [HERE](#) to see the amended Rules.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Mark Dickens

Head of Listing

# Amendments to GEM Listing Rules

Tools



Updated: 30/10/2009

## **Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

### **Update No. 32**

October 2009

Dear Sirs,

#### **Phase 2 of New Post-vetting Regime**

We enclose reprinted pages of the GEM Listing Rules incorporating amendments to remove pre-vetting requirements for issuers' announcements for major transactions and connected transactions.

Phase 1 of the new post-vetting regime commenced on 1 January 2009 following market support in the consultation launched in January 2008. The consultation conclusion was published in November 2008.

The Exchange stated in the 2008 consultation conclusion that it would, subject to market readiness and the Securities and Futures Commission's approval, cease pre-vetting all announcements. Based on the proposed timetable, Phase 2 will be implemented on 1 January 2010 and will cover announcements for major transactions and connected transactions. It will take a further 12 months for the final phase to be implemented to cover all remaining categories of announcements.

In light of the market support and issuers' smooth transition to Phase 1, we will implement Phase 2 from 1 January 2010.

We also enclose the filing instructions.

#### **Coming into effect**

The amendments will come into effect on 1 January 2010.

**Please click [HERE](#) to see the amendments relating to Phase 2 of New Post-vetting Regime.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Mark Dickens

Head of Listing



**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

**Update No. 31**

October 2009

Dear Sirs,

**Various amendments to the GEM Listing Rules**

We have reprinted pages of the GEM Listing Rules. The reprinted pages incorporate amendments to streamline the filing requirements for listing of additional equity securities by listed issuers as well as amendments relating to fees and charges.

We also enclose the filing instructions.

**Streamlining of filing requirements**

We have amended the GEM Listing Rules to streamline the filing requirements for listing of additional equity securities by listed issuers. The amendments implement the proposals in the "Consultation Conclusions on Proposed Changes to Filing and Checklist Requirements for Listing of Equity Securities" published in October this year.

**Amendments relating to fees and charges**

We have amended Appendix 9 to abolish the fee for additional security enquiry pages in the Automatic Order Matching and Execution System levied on an issuer with more than one class of equity securities listed and clarify that all fees or charges payable to the Exchange, including the initial listing fee and annual listing fee, are to be net of all taxes, levies and duties.

**Coming into effect**

The amendments to streamline filing requirements will come into effect on 2 November 2009.

The amendments relating to fees and charges became effective on 1 October 2009.

**Please click [HERE](#) to see the amendments relating to streamlining of filing requirements.**

**Please click [HERE](#) to see the amendments relating to fees and charges.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Mark Dickens

Head of Listing





**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

**Update No. 30**

August 2009

Dear Sirs,

**Various amendments to the GEM Listing Rules**

We have reprinted pages of the GEM Listing Rules. The reprinted pages incorporate amendments to formally re-align the operational hours of the Electronic Disclosure regime with the suspension of the closing auction session and to implement the proposal regarding self-construction of assets under Issue 15 of the 2008 Combined Consultation Paper as well as a correction of a previous clerical error.

We also enclose the filing instructions.

**Closing auction session**

We have amended rule 16.18(3)(a) to formally re-align the operational hours of the Electronic Disclosure regime for publication of most announcements with the market trading hours during the suspension of the closing auction session which took effect on 23 March this year.

**Self-construction of assets**

We have amended the notifiable transaction rules to disapply the aggregation requirements when an issuer enters into a series of transactions to construct, develop or refurbish an asset for its own use in its ordinary and usual course of business if the sole basis for aggregation is because the series of transactions forms parts of one larger asset. This implements the proposal under Issue 15 of the 2008 Combined Consultation Paper, the Consultation Conclusion for which was published in July this year.

**Coming into effect**

The amendments will come into effect on 1 September 2009.

**Please click [HERE](#) to see the amendments relating to closing auction session.**

**Please click [HERE](#) to see the amendments relating to self-construction of assets.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Mark Dickens

Head of Listing



## **Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

### **Update No. 29**

March 2009

Dear Sirs,

#### **Review of Model Code for Securities Transactions by Directors of Listed Issuers**

We have amended the "black out" period in rule 5.56 of the GEM Listing Rules during which a director is prohibited from dealing in the securities of the listed issuer. As amended, the black out period applicable to the publication of a listed issuer's annual financial results is 60 days and the black out period for half-year and other interim periods is 30 days.

The listed issuer must notify the Exchange in advance of the commencement of each period during which directors are not allowed to deal under rule 5.56(a) of the GEM Listing Rules.

We enclose the filing instructions.

#### **Coming into effect**

The amendment will come into effect on 1 April 2009.

**Please click [HERE](#) to see the amended Rule.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Mark Dickens

Head of Listing

**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")****Update No. 28**

December 2008

Dear Sirs,

**2008 Combined Consultation – Various amendments to the GEM Listing Rules**

Following the publication of the Consultation Conclusions on Proposals in the 2008 Combined Consultation Paper on 28 November 2008, we enclose reprinted pages of the GEM Listing Rules incorporating amendments to the GEM Listing Rules in relation to corporate governance issues, continuing listing obligations and amendments aimed at improving the clarity of the GEM Listing Rules.

The GEM Listing Rule amendments cover the following 15 areas:

- Use of websites for communication with shareholders
- Information gathering powers
- Qualified accountants
- Review of sponsor's independence
- Bonus issues of a class of securities new to listing
- Review of the Exchange's approach to pre-vetting public documents of listed issuers
- Disclosure of changes in issued share capital
- Disclosure requirements for announcements regarding issues of securities for cash and allocation basis for excess shares in rights issue
- Alignment of requirements for material dilution in major subsidiary and deemed disposal
- Voting at general meetings
- Disclosure of information about and by directors
- Codification of waiver to property companies
- Disclosure of information in takeovers
- Review of director's and supervisor's declaration and undertaking
- Review of Model Code for Securities Transactions by Directors of Listed Issuers

The principal amendments are as follows:

**Use of websites for communication with shareholders**

Amendments have been made to the GEM Listing Rules to:

- introduce a procedure which, if complied with, will permit a listed issuer to deem consent on the part of a shareholder to a corporate communication being made available to him solely on the listed issuer's website; and
- make clear that express, positive confirmation is required not only for the use of electronic means (e.g. emailing a corporate communication or its hyperlink to a shareholder), but also for making available a corporate communication to a shareholder in electronic format (e.g. on a CD).

**Information gathering powers**

A new Rule has been introduced to codify the powers of the Exchange to gather information from issuers.

**Qualified accountants**

The GEM Listing Rules have been amended to remove the requirement for a qualified accountant. The code provisions of Appendix 15 – Code on Corporate Governance Practices regarding internal controls have been amended to make specific references to the responsibility of the directors to conduct an annual review of the adequacy of staffing of the financial reporting functions and the oversight role of the audit committee.

**Sponsor independence**

Amendments have been made to the GEM Listing Rules so that a sponsor is required to be independent from the date of submission of an application for listing on Form 5A to the date of listing.

**Bonus issues of a class of securities new to listing**

The GEM Listing Rules have been amended to disapply the requirement for a minimum spread of securities holders at the time of listing in the event of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe or purchase shares, provided that the existing listed shares of the issuer are not concentrated in the hands of a few shareholders.

#### **Review of the Exchange's approach to pre-vetting public documents of listed issuers**

The GEM Listing Rules have been amended to:

- remove the circular requirement for discloseable transactions;
- implement a progressive phased approach to reduction in pre-vetting activities for different types of listed issuers' announcements and to remove from the GEM Listing Rules pre-vetting requirements in respect of circulars for matters of a routine nature that normally do not raise material regulatory concerns, including: circulars for proposed amendments to a listed issuer's Memorandum and/or Articles of Association and explanatory statements relating to a listed issuer purchasing its own shares on a stock exchange; and
- codify the Exchange's existing practice in relation to pre-vetting circulars for significant transactions or arrangements.

#### **Disclosure of changes in issued share capital**

The GEM Listing Rules have been amended to require listed issuers:

- to submit a Next Day Disclosure Return to the Exchange in respect of changes in issued share capital, in some cases by 9:00 a.m. the next business day and in other cases subject to a 5% de minimis threshold and certain other relevant factors (e.g. aggregation);
- the Next Day Disclosure Return will be merged with the current Share Buyback Report;
- to submit a Monthly Return to provide a regular update on information relating to a listed issuer's share capital and other movements in its securities, including future obligations and commitments to issue shares; and
- to make an announcement as soon as possible upon the grant of any share options pursuant to a share option scheme.

#### **Disclosure requirements for announcements regarding issues of securities for cash and allocation basis for excess shares in rights issue**

The GEM Listing Rules have been amended to require disclosure of:

- additional items of information codifying the disclosure practices in respect of announcements for issues of securities for cash; and
- the basis of allocation of excess shares in the announcement, circular and listing document for a rights issue or an open offer.

These amendments codify the former disclosure practices in respect of announcements for issues of securities for cash (irrespective of whether general mandates are involved) and require disclosure of the basis of allocation of the excess securities in the announcement, circular and listing document for a rights issue or open offer.

#### **Alignment of requirements for material dilution in major subsidiary and deemed disposal**

The Exchange has amended the Rules to align the requirements for material dilution in a major subsidiary and deemed disposal such that the requirement for shareholders' consent will be based on a size test threshold of 25% (i.e. the threshold for a major transaction) and that a written certificate may be accepted in lieu of a physical shareholders' meeting.

#### **Voting at general meetings**

The GEM Listing Rules have been amended to make voting by poll mandatory on all resolutions at general meetings of listed issuers. In addition, a new code provision has been introduced in the Code on Corporate Governance Practices so that notice to shareholders should be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

#### **Disclosure of information about and by directors**

The GEM Listing Rules have been amended to:

- introduce a new Rule whereby information disclosure previously required only at the time of appointment or re-designation will need to be made either periodically or continuously during the term of a director or supervisor's office;
- clarify that the disclosure of information concerning directors and supervisors required under the relevant Rules need not be made if prohibited by law;
- require disclosure of directors' and supervisors' current and past directorships (for the past three years) in all public companies with securities listed in Hong Kong and/or overseas;
- require disclosure of directors' professional qualifications;
- include an additional reference to statutory provisions; and

- clarify that the disclosure obligation arises where a conviction falls under any one (rather than all) of the three limbs in paragraph (m) of Rule 17.50(2).

#### **Codification of waiver to property companies**

The GEM Listing Rules have been amended to codify the conditional waiver to exempt listed issuers actively engaged in property development as a principal business activity from the shareholders' approval requirement in certain scenarios of acquisitions of land or property development projects in Hong Kong from Government or Government-controlled entities through public auctions or tenders.

#### **Disclosure of information in takeovers**

A new Rule has been introduced to codify the Exchange's practice of granting waivers to allow a listed issuer to publish certain prescribed information on target companies being acquired by the listed issuer in a supplemental circular at a later time when the listed issuer has access to the necessary underlying information.

#### **Review of director's and supervisor's declaration and undertaking**

The following changes have been made to a director's and supervisor's declaration and undertaking:

- the questions relating to the director's or supervisor's biographical information in the various prescribed forms of declaration and undertaking have been removed;
- the requirement for a statutory declaration has been removed;
- the listing documents relating to new listing applicants for the listing of equity and debt securities must contain no less information about directors and supervisors than that required under Rule 17.50(2); and
- the director's undertaking has been amended to include a provision that codifies the Exchange's powers to gather information from directors and to include detailed provisions for service of disciplinary proceedings.

#### **Review of Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")**

The following changes have been made to the GEM Listing Rules:

- 3 new exceptions have been introduced to the definition of "dealing" in Rule 5.52(4);
- the "black out" period in respect of a director's dealing in the listed issuer's securities has been extended to start from the listed issuer's financial period end to the date on which the listed issuer publishes the relevant results announcement;
- a note has been introduced to clarify the meaning of the term "price sensitive information" in the context of the Model Code; and
- a time limit has been imposed on an issuer to respond to a director's request to deal and on the director to deal (if he so chooses) once clearance is given.

We also enclose the filing instructions.

#### **Coming into effect**

The amendments will become effective on 1 January 2009.

**Please click [HERE](#) to see the amendments to the GEM Listing Rules.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing

# Amendments to GEM Listing Rules

Tools



Updated: 30/09/2008

## **Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

### **Update No. 27**

September 2008

Dear Sirs,

#### **Minor Rule amendments**

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate the final versions of those minor amendments set out for public exposure in the "Combined Consultation Paper on Proposed Changes to the Listing Rules" published by the Exchange in January 2008 which remained to be implemented. These include amendments to reduce further the numbers of hard copies of documents which issuers are required to provide to the Exchange under the GEM Listing Rules.

We also enclose the filing instructions.

#### **Coming into effect**

The amendments will become effective on 1 September 2008.

**Please click [HERE](#) to see the amendments.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing



**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

**Update No. 26**

June 2008

Dear Sirs,

**Amendments to the Listing Rules relating to the further development of the Growth Enterprise Market**

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate amendments to provide for the further development of the Growth Enterprise Market (GEM) as a second board and as a stepping stone towards listing on the Main Board.

Amendments have been made to reflect the new role of the market but GEM has largely retained its existing structure.

The key Rule amendments are set out below:

- under new quantitative admission requirements, applicants need to have achieved positive cash flow of not less than \$20 million in aggregate for the two preceding financial years;
- the power to approve the admission of new issuers to GEM has been delegated from the GEM Listing Committee to the Listing Division. The GEM Listing Committee has retained its monitoring, review and policy responsibilities;
- continuing obligations of GEM listed issuers have been brought closer to the requirements applicable to the Main Board market; and
- the process for transferring a listing from GEM to the Main Board has been streamlined and new provisions under Chapter 9 have been added setting out applicable rules for a transfer.

We also enclose the filing instructions.

**Coming into effect**

The amendments will become effective on 1 July 2008 . Transitional arrangements for new listing applications and for compliance with the revised public float requirements are set out in the Exchange's announcement dated 2 May 2008 .

**Please click [HERE](#) to see the amendments relating to the further development of the Growth Enterprise Market.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing

# Amendments to GEM Listing Rules

Tools



Updated: 30/04/2008

## **Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")**

### **Update No. 25**

April 2008

Dear Sirs,

#### **Closing auction session**

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate amendments to align the operational hours of the Electronic Disclosure regime with the implementation of the closing auction session.

We also enclose the filing instructions.

Amendments have been made to rule 16.18(3)(a) in order to align the operational hours of the Electronic Disclosure regime for publication of the majority of announcements with the new market trading hours upon implementation of the closing auction session on 26 May 2008.

#### **Coming into effect**

The amendments will become effective on 26 May 2008.

**Please click [HERE](#) to see the amendments.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing



# Amendments to GEM Listing Rules

Tools



Updated: 29/02/2008

## Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")

### Update No. 24

February 2008

Dear Sirs,

#### Various amendments to the GEM Listing Rules

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate:

- an amendment to implement an extension, to 2:00 p.m. , of the lunchtime publication window for announcements;
- an amendment to allow the publication of any type of announcements during the lunchtime publication window; and
- amendments to provide for the new arrangements for distribution of brokerage on initial public offerings (IPOs) through Autopay and to include expressly the brokerage payment arrangements for eIPO applications to reflect the current market practice.

We also enclose the filing instructions.

#### Publication of announcements

On 10 March 2008 the current restrictions on the publication of announcements outside of trading hours will be relaxed.

A GEM issuer is currently able to publish announcements, including an announcement containing price sensitive information, between 6:00 a.m. and 9:00 a.m. on a trading day, without suspension. This policy will continue. Also, a GEM issuer will continue to be able to publish any announcement after 4:15 p.m. on a trading day.

Currently, only preliminary results announcements, overseas regulatory news, suspension announcements and "standard" and "super" announcements can be published via the GEM website during lunchtime. From 10 March 2008 GEM issuers will be allowed to publish any type of announcement during lunchtime including announcements containing information that may have a material effect on market activity in and the price of the issuer's listed securities.

Currently the lunchtime window for the publication of announcements ends at 1:30 p.m.. From 10 March 2008 this window will be extended by half an hour to 2:00 p.m..

#### IPO brokerage

Under the new arrangements for distribution of brokerage on IPOs, brokerage paid by investors is passed on by the issuer directly through Autopay into the bank account of the relevant Exchange Participant. This represents an improvement on the previous practice of distributing brokerage by physical cheques and is conducive to the timely and orderly administration of the IPO process.

The GEM Listing Rules provide for payment of the IPO brokerage to an Exchange Participant or to the Exchange depending on whether or not the successful application form bears the chop of an Exchange Participant. An eIPO does not involve physical application and therefore chopping is not possible. In practice, issuers through registrars still pay the brokerage to an Exchange Participant for an eIPO application which bears the broker number of the Exchange Participant and to the Exchange where the application does not bear a broker number.

The amendments to paragraph 6 of appendix 9 to the GEM Listing Rules provide for the new arrangements for distribution of brokerage on IPOs through Autopay and expressly include the brokerage payment arrangements for eIPO applications to reflect the current market practice.

#### Coming into effect

The amendments in relation to the publication of announcements will become effective on 10 March 2008.

The amendments in relation to IPO brokerage became effective on 9 July 2007.

**Please click [HERE](#) to see the amendments relating to publication of announcements.**

**Please click [HERE](#) to see the amendments relating to IPO brokerage.**

Yours faithfully,

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing

**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")****Update No. 23**

May 2007

Dear Sirs,

**Various amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate:-

- amendments to implement the new regime for electronic submission of regulatory information for dissemination on the HKEx website or Growth Enterprise Market (GEM) website (the Electronic Disclosure Project); and
- various other, minor amendments to the GEM Listing Rules.

We also enclose the filing instructions.

**Electronic Disclosure Project**

The effective date of the Electronic Disclosure Project is 25 June 2007. Key features of the Electronic Disclosure Project in so far as it relates to GEM issuers include:

- GEM issuers will be required to submit their disclosures to HKEx electronically through HKEx's e-Submission System. Announcements (with limited exceptions) must be submitted for publication outside trading hours.
- 12 months after the effective date of the Electronic Disclosure Project, GEM issuers must have their own website.

For further details of the Electronic Disclosure Project, please see HKEx's Exposure Conclusion on "Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" published in July 2006 and Communication Paper "From Paper to Paperless" published in March 2007. These documents are viewable on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/documents/npa.pdf> and at [http://www.hkex.com.hk/eng/listing/edp/edp\\_consul/documents/ess\\_cp.pdf](http://www.hkex.com.hk/eng/listing/edp/edp_consul/documents/ess_cp.pdf) respectively.

**Minor amendments**

The other amendments to the GEM Listing Rules are as follows:

Reflecting current name of HKICPA

Various minor amendments have been made to reflect the current name of HKICPA.

Accounting related definitions and references

Minor amendments have been made to update accounting definitions and references. Key amendments include:

- changing the definition of "affiliated company" in rule 1.01 to include associated and jointly controlled entities;
- changing the definition of "Hong Kong Financial Reporting Standards" or "HKFRS" in rule 1.01;
- in rule 5.15 changing the old reference to "Fellow or Associate Member" to "certified public accountant registered with the HKICPA"; and
- in rule 7.02 changing the old reference to "professional accountants" to "certified public accountants".

Codifying and further liberalising the "no other relationship" exemption in FAQ 56

A new note (2) has been added to rule 20.11(4)(c) to codify and further liberalise the "no other relationship" exemption as set out in No. 56 of the "Frequently Asked Questions on Rule Amendments relating to Corporate Governance and Listing Criteria Issues" such that a substantial shareholder of a non wholly-owned subsidiary should also be permitted to act as a director of that subsidiary without it being treated as a connected person.

Reduction of SFC Transaction Levy

The Securities & Futures (Reduction of Levy) Order 2006, which came into operation on 1 December 2006, provides for a 20% reduction of the levy payable in respect of any trading in securities, futures or options contracts. Paragraph 3(2) of Appendix 9 to the GEM Listing Rules has been amended in a manner to reflect this change and to obviate the need to amend the rules in the future as a result of any further rate changes.

Coming into effect

The amendments in relation to the Electronic Disclosure Project will become effective on 25 June 2007.

The minor amendments will become effective on 21 May 2007.

Please click [HERE](#) to see the amendments relating to the Electronic Disclosure Project (excluding Headline

**Categories).**

**Please click [HERE](#) to see the amendments relating to the minor amendments.**

Yours faithfully

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing

**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")****Update No. 22**

13 November 2006

Dear Sirs,

**Various amendments to the GEM Listing Rules**

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate:-

- amendments to the GEM Listing Rules relating to the regulation of Sponsors and Compliance Advisers; and
- amendments to the GEM Listing Rules regarding the number of deputy chairmen on the GEM Listing Committee.

We also enclose the filing instructions.

**Amendments relating to the regulation of Sponsors and Compliance Advisers**

In October 2004 the Exchange and the SFC concluded a joint consultation regarding the regulation of Sponsors, Compliance Advisers and independent financial advisers. In the consultation conclusions report published on 19 October 2004 (the 2004 Conclusions) the Exchange and the SFC stated that, in the light of responses to the consultation, going forward, the SFC, as statutory regulator, would be responsible for assessment of eligibility, on-going supervision, discipline and enforcement of the conduct of corporate finance advisers who discharge the work of Sponsors and Compliance Advisers, whilst the Exchange, as market operator, should continue to be responsible for implementation and administration of the GEM Listing Rule requirements including the practice notes on due diligence.

The 2004 Conclusions stated that the SFC would consult in relation to amendments to its licensing regime and that once that consultation was completed, in order to avoid regulatory duplication, the Exchange intended to remove the existing eligibility criteria from the GEM Listing Rules.

The SFC has completed its second phase consultation. It published consultation conclusions in April 2006. Consequently, the Exchange now intends to amend the GEM Listing Rules as anticipated in the 2004 Conclusions.

Key amendments

The key GEM Listing Rule amendments are set out below.

- Currently, in order to undertake work as a Sponsor or Compliance Adviser, a firm must be approved by the Exchange and admitted to the list of Sponsors maintained by the Exchange. The GEM Listing Rules set out detailed eligibility criteria for admission to the Sponsor list. The Rules also provide that generally Sponsors' eligibility to remain on the list is reviewed by the Exchange annually.

Consistent with removing regulatory overlap regarding the eligibility of Sponsors and Compliance Advisers, the GEM Listing Rules will be amended to provide that the Exchange will permit a firm to work as a Sponsor or Compliance Adviser provided the firm is appropriately licensed or registered by the SFC. Also, the whole of Chapter 6 of the GEM Listing Rules will be repealed although some Rules that were in Chapter 6 will be retained under Chapter 6A.

- Similarly, the Exchange will no longer have any role in relation to monitoring a firm's ongoing eligibility to undertake Sponsor work or Compliance Adviser work. Again, consistent with the 2004 Conclusions, that will be the sole responsibility of the SFC. Amongst other things, this means that the Exchange will no longer undertake annual reviews of Sponsor firms nor maintain a list of approved Sponsors.
- The GEM Listing Rules will be amended such that the SFC alone will be responsible for the discipline and sanctioning of Sponsors and Compliance Advisers. However, the Exchange will continue to co-operate with the SFC in relation to relevant issues regarding the performance of Sponsors and Compliance Advisers, as appropriate.

Coming into effect

These Rule amendments will become effective on 1 January 2007. Transitional arrangements are set out in new Rule 6A.38.

**Amendments regarding the number of deputy chairmen on the GEM Listing Committee**

The GEM Listing Rules have been amended to provide the flexibility for the Listing Nominating Committee to nominate and the Exchange Board to appoint more than one deputy chairman to the GEM Listing Committee. The appointment of more than one deputy chairman will allow a reduction in the workload of the Deputy Chairman to the GEM Listing Committee and also aid in succession planning for the role of GEM Listing Committee Chairman.

Coming into effect

These Rule amendments became effective on the date they were published, that is, 22 September 2006.

**Please click [HERE](#) to see the amendments relating to the regulation of Sponsors and Compliance Advisers.**

**Please click [HERE](#) to see the amendments regarding the number of deputy chairmen on the Listing Committee.**

Yours faithfully

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing

# Amendments to GEM Listing Rules

Tools



Updated: 14/02/2006

## Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")

### Update No. 21

14 February 2006

Dear Sirs,

#### Various amendments to the GEM Listing Rules

We enclose reprinted pages of the GEM Listing Rules. The reprinted pages incorporate:-

- amendments to the GEM Listing Rules regarding the composition of the Listing Nominating Committee;
- amendments to the GEM Listing Rules regarding the composition of the GEM Listing Committee; and
- minor and housekeeping amendments to the GEM Listing Rules.

We also enclose the filing instructions.

#### Amendments regarding composition of the Listing Nominating Committee

Rule 3.22 provides that the persons eligible for appointment or re-appointment as members of the GEM Listing Committee shall be nominated by the Listing Nominating Committee comprising the Chief Executive of the Exchange and two members of the Board of Hong Kong Exchanges and Clearing Limited (HKEx) and the Chairman and two Executive Directors of the Securities and Futures Commission.

Amendments to rule 3.22 provide for a change to the composition of the Listing Nominating Committee such that the HKEx representatives will be three non-executive members of the HKEx Board rather than two members of the HKEx Board and the Chief Executive of the Exchange.

#### Coming into effect

This rule amendment became effective on the day it was announced.

#### Amendments regarding composition of the GEM Listing Committee

The GEM Listing Rules will also be amended to:-

- expand the GEM Listing Committee to comprise at least 28 members (that is, 28 members or such greater number as the Exchange Board from time to time agree) increased from the current membership of 21;
- change the composition of the GEM Listing Committee to include at least eight investor representatives, the HKEx Chief Executive and nineteen members who are a suitable balance of listed issuers and market practitioners including lawyers, accountants, corporate finance advisers and brokers; and
- in recognition of the fact that GEM Listing Committee members may become more effective as they gain experience on the GEM Listing Committee and consistent with Government best practice, extend the current term for GEM Listing Committee members to six years excluding any period of appointment to fill a casual vacancy. As with the current arrangements (in rule 3.26), GEM Listing Committee members would not be eligible for re-appointment for at least two years after completing a maximum term save in exceptional circumstances.

#### Coming into effect

These rule amendments regarding the composition of the GEM Listing Committee will come into effect in May 2006 on expiry of the current term of office of the GEM Listing Committee members. The exact date will be announced in due course.

#### Minor and housekeeping amendments

Various minor and housekeeping amendments to the GEM Listing Rules have been made and are set out as follows:-

#### Disclosure of "advances to entities"

Rules 17.15, 17.16 and 17.18 of the GEM Listing Rules respectively require the disclosure of "advances to entities" and financial assistance and guarantees to affiliated companies where certain thresholds are exceeded. For the purpose of rules 17.15 to 17.18 the applicable tests have been amended to only the total assets test. The rule amendments also introduce a new rule 17.17A that excludes a trade receivable from advances to entities for the purpose of rules 17.15 and 17.16 in the calculation of the assets ratio where the trade receivable (other than as a result of the provision of financial assistance) arose in the ordinary and usual course of business of the issuer and the transaction from which the trade receivable arose was on normal commercial terms.

#### Listed securities houses – exemption from Chapter 19 for IPO financing and securities margin financing.

Rules 19.04 and 20.10 have been amended to exempt listed securities houses from the disclosure and shareholder approval provisions of Chapter 19 in respect of IPO financing and securities margin financing provided by listed securities houses in the ordinary and usual course of business and upon normal commercial terms.

#### Disclosure of pre-acquisition financial information

A new rule 7.04A has been introduced to require the disclosure by new listing applicant of pre-acquisition financial information on material businesses/companies acquired in an accountants' report for a listing document in order to provide full and useful information to investors.

#### Rule amendments relating to corporate governance

##### *Removal of director by ordinary resolution*

Paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 11B have been amended to provide that a director may be removed by an ordinary resolution in general meeting instead of a special resolution and also to reflect the requirement of the Companies Ordinance.

##### *Other amendments relating to directors*

These are rule amendments to require director of an issuer to:-

- disclose his directorships held in other listed companies in a prospectus pursuant to paragraph 41(1) of Appendix 1A and paragraph 34 of Appendix 1B;
- include in the disclosure of his biographical details under rule 17.50(2) other relevant details that mirror the disclosure made in director's declaration and undertaking to The Stock Exchange of Hong Kong Limited (the Exchange); and
- disclose in an announcement upon appointment full particulars of a director's emoluments irrespective of whether a service contract has been entered into between issuer and director as required under note 3(g) to rule 17.50(2).

#### Housekeeping rule amendments relating to listing of securities

Housekeeping rule amendments have been made to rule 12.23(2) to include as documents required to be submitted in an application for listing sponsor's undertaking pursuant to rule 6A.03 and a statement pursuant to rule 6A.08.

#### Notifiable transactions and connected transactions

Minor rule amendments have been made to Chapters 19 (notifiable transactions) and 20 (connected transactions). These are amendments to:-

- rule 19.19 to clarify that total assets should be calculated without deducting liabilities;
- rule 19.64(5) to clarify that a circular required for discloseable transaction also includes a transaction that does not involve any acquisition or disposal of assets, such as in the case of a financial assistance transaction;
- clarify that direct and indirect wholly owned subsidiaries of a listed company are not treated as connected persons;
- rule 20.31 to clarify that the applicability of the intra-group transaction exemption is subject to the proviso that none of the subsidiaries concerned itself falls within the definition of "connected persons"; and
- rule 20.14 to codify our existing interpretation that continuing connected transactions include financial assistance.

#### Accounting matters and the pro forma rules

Rule amendments have been made to:-

- the note to rule 7.30 to clarify that for a new listing applicant without any published audited consolidated financial statements, any comparison for classifying acquisitions required under the relevant GEM Listing Rule should be made instead to the new applicant's latest audited consolidated financial statements in the accountants' report;
- rule 17.24 to clarify that a combination of balance sheets of affiliated companies is not "pro forma" financial information as required under rule 7.31;
- rule 19.69(8) to clarify that that two separate management discussion and analysis statements, one on the existing group and one on the business or company acquired or to be acquired, are required in a circular for a very substantial transaction;
- rule 7.12 to clarify that any change in accounting standards is not permitted;
- align disclosure requirements required under rules 18.50B(1) and 18.80 with prevailing accounting standards; and
- clarify that the basis for the requirement that annual accounts must be audited by a person who must be a practising accountant of good standing is independent of the requirements under the Companies Ordinance and rest on the premise that such requirement is in fact a "reasonable man test" applicable to overseas auditor who is a practising accountant in another jurisdiction. By this test, it is reasonable to expect that the auditor and practising accountant has satisfied basic professional standards, is a current member of a professional regulatory body and is not disqualified from being a member of such body.

#### Other rule amendments

Other minor amendments have been made to:-

- change the definition of "subsidiary" to reflect amendments made to the definition of "subsidiary" in the Companies Ordinance;
- codify the practice to require listed issuers to display their stock codes in a prominent place in all announcements, circulars and other documents as codified by the new rule 17.52A;
- update references to "security enquiry page" instead of to "teletext page" in paragraph 9 of Appendix 9;
- rule 17.50(3) to require a listed issuer to inform the Exchange and publish an announcement whenever there is a change in its Share Registrar; and
- rule 5.14 to reflect the change of name of the Hong Kong Institute of Company Secretaries to The Hong Kong Institute of Chartered Secretaries (the "Institute") and in reference to the Institute's members to Ordinary Members.

Coming into effect

These minor and housekeeping rule amendments will come into effect on 1 March 2006.

**Please click [HERE](#) to see the amendments regarding the composition of the Listing Nominating Committee and the amendments regarding the composition of the Listing Committee.**

**Please click [HERE](#) to see the minor and housekeeping amendments.**

Yours faithfully

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing



# Amendments to GEM Listing Rules

Tools



Updated: 08/12/2004

## Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market (the "GEM Listing Rules")

### Update No. 20

8 December 2004

Dear Sirs,

#### Amendments to the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on the Corporate Governance Report

We enclose reprinted pages of the GEM Listing Rules incorporating amendments to the GEM Listing Rules in relation to the Code on Corporate Governance Practices (the "Code") and the rules on the Corporate Governance Report, together with the filing instructions.

The Code is inserted as a new Appendix 15 replacing existing GEM Listing Rules 5.35 to 5.45. The Rules on the Corporate Governance Report are inserted as a new Appendix 16.

Various other consequential amendments to the GEM Listing Rules have been made on the introduction of the Code and Rules on the Corporate Governance Report.

#### Revised Code on Corporate Governance

The Code sets out the Exchange's views on the principles of good corporate governance and two levels of recommendations, namely Code Provisions and Recommended Best Practices. Issuers are expected to comply with, but may choose to deviate from, the Code Provisions. Issuers are encouraged to comply with the Recommended Best Practices which are provided for guidance only. Issuers may devise their own code on corporate governance practices on such terms as they may consider appropriate.

The Code has five sections dealing with directors, remuneration of directors and senior management, accountability and audit, delegation by the Board and communication with shareholders. In each section, the Code sets out the Code Provisions and/or Recommended Best Practices, together with the underlying principles of the relevant provisions to assist listed issuers in developing their own code of board practices.

#### Corporate Governance Disclosure

Issuers must state whether they have complied with the Code Provisions set out in the Code for the relevant accounting period in their half-year reports and annual reports.

Issuers are required to include a Corporate Governance Report in their annual reports containing prescribed information on their corporate governance practices.

Where the issuer deviates from the Code Provisions set out in the Code, the issuer must give considered reasons, in the case of annual reports, in the Corporate Governance Report and, in the case of half-year reports, either by giving considered reasons for each deviation or, to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report, and providing details of any changes together with considered reasons for any deviation not reported in that annual report.

In the case of the Recommended Best Practices, issuers are encouraged, but are not required, to state whether they have complied with them and give considered reasons for any deviation.

#### Coming into Effect

Subject to the implementation and transitional arrangements set out in Appendix 2 to the Exposure Conclusions Report (which is available on the Exchange's website at [www.hkex.com.hk/consul/conclusion/expocon.pdf](http://www.hkex.com.hk/consul/conclusion/expocon.pdf)), the rule amendments will come into effect on 1 January 2005.

**Please click [HERE](#) to see the amendments to the respective sections. The revised version of the entire GEM Board Listing Rules are located in the section headed "Listing Rules (GEM)".**

Yours faithfully

For and on behalf of

The Stock Exchange of Hong Kong Limited

Richard Williams

Head of Listing

**Note to subscribers for the amendments to the rules governing the listing of securities on the Growth Enterprise Market ( "GEM Listing Rules")****Update No. 19**

1 December 2004

Dear Sirs,

**Amendments to the GEM Listing Rules relating to the regulation of sponsors and independent financial advisers**

We enclose reprinted pages of the GEM Listing Rules incorporating amendments regarding the regulation of sponsors and independent financial advisers (IFAs).

The rule amendments were announced in the news release published jointly by The Stock Exchange of Hong Kong Limited (the Exchange) and the Securities and Futures Commission (the SFC) on 19 October 2004 (the "News Release").

We also enclose filing instructions for the reprinted pages.

**Key objectives of the rule amendments**

The Exchange's primary objectives in introducing these amendments are to:

- ensure sponsors, post-listing advisers (to be known as compliance advisers) and IFAs are clear about what is expected of them, in particular, in performing due diligence;
- enable sponsors, compliance advisers and IFAs to participate in the market on a level playing field; and
- minimise the regulatory risk that sponsors, compliance advisers and IFAs will not discharge their responsibilities in a way that commands market confidence.

**Overview of the amended rules**

The amended rules address, amongst other things:

*Sponsors and compliance advisers*

- when an issuer must appoint a sponsor or compliance adviser;
- independence requirements for sponsors and compliance advisers;
- the roles and responsibilities of sponsors and compliance advisers including the due diligence the Exchange expects sponsors should typically perform;
- the responsibilities of issuers to assist sponsors and compliance advisers;
- undertakings and declarations required to be given by sponsor and IFA firms to the Exchange;

*IFAs*

- independence requirements for IFAs;
- the roles and responsibilities of IFAs including the reasonable steps an IFA will typically perform in order to be able to make the statements required by rule 20.22, dealing with the letter setting out its independent financial advice;
- the responsibilities of issuers to assist IFAs they appoint; and
- undertakings and declarations required to be given by IFAs to the Exchange.

**Key amendments**

The key amendments are set out below.

*Sponsors and compliance advisers*

- The rules will include an amended definition of "Sponsor" in rule 1.01.
- Compliance advisers will be expressly referred to in rule 6.67 dealing with the Exchange imposing sanctions.
- Rules 6.01 to 6.03 relating to sponsors will be repealed.
- A new chapter, Chapter 6A, will set out most of the roles and obligations of sponsors and compliance advisers including as follows:
  - the current rules require that a new applicant appoint a sponsor to assist it through the listing application process and for a fixed period after listing. Under the amended rules, new applicants (including issuers deemed to be new applicants pursuant to rule 19.54) will continue to be required to appoint (at least) one sponsor to assist with their initial applications for listing. Additionally, all listed issuers will have to appoint a compliance adviser for the period commencing on initial listing and ending on publication of financial results for the second full financial year after listing, and for any further period directed by the Exchange;
  - the current rules provide that no sponsor may act for any new applicant or continue to act for any listed issuer in circumstances where any actual or potential conflict of interest impedes or is likely to impede its

ability to provide competent advice to the new applicant or listed issuer in a professional and impartial manner. The amended rules will provide that sponsors and compliance advisers must perform their duties with impartiality and that at least one sponsor appointed by a new applicant must be independent. Compliance advisers need not be independent;

- the independence test will be set out in the amended rules. To provide clarity to issuers the independence test will be a bright-line (or black letter) test;
- sponsors will be required to give the Exchange a statement addressing whether they are independent and, if they are not, how their lack of independence arises. (The prescribed form for that statement will be set out in Form K of Appendix 7.) Sponsors will also have to advise the Exchange if there is any change to the information in the statement after it is given;
- sponsors and compliance advisers will have to give undertakings to the Exchange in the forms prescribed in Form A of Appendix 5 and Form M of Appendix 7, respectively. The undertakings will provide, for example, that the sponsor or compliance adviser will comply with the GEM Listing Rules and cooperate in any investigation conducted by the Listing Division and/or the GEM Listing Committee of the Exchange;
- sponsors will have to conduct due diligence, having regard to a new practice note [2], *Due diligence by sponsors in respect of initial listing applications*, dealing with due diligence by sponsors in respect of initial listing applications including the Exchange's expectations of due diligence sponsors will typically perform to meet their obligations under the rules;
- after undertaking the necessary due diligence, sponsors will have to make a declaration to the Exchange concerning the new applicant. The declaration must be in the form prescribed in Form G of Appendix 7;
- compliance advisers will only be required to provide advice and guidance if they are asked for it by the issuer by whom it is appointed. Listed issuers will have to consult with and, if necessary, seek advice from their compliance advisers on a timely basis in the prescribed circumstances, for example, before publication of any regulatory announcement, circular or financial report; and
- issuers will be required to assist sponsors and compliance advisers. For example, new rule 6A.05 will provide that a new applicant and its directors must assist the sponsor to perform its role and must ensure that its substantial shareholders and associates also assist the sponsor.

#### IFAs

- The rules will include a new definition of "IFA group" in rule 1.01.
- New rules 17.92 to 17.99 will set out most of the roles and obligations of IFAs.
- IFAs will be required to perform their duties with impartiality and be independent. The independence test will be set out in the rules. As with the sponsor independence test, to provide clarity to issuers the independence test will be a bright-line test.
- IFAs will be required to give the Exchange a declaration of their independence in the prescribed form to be set out in Appendix 13. IFAs will also have to advise the Exchange if there is any change in the circumstances set out in the independence declaration.
- As with sponsors and compliance advisers, IFAs will have to give an undertaking to the Exchange in the form prescribed in Appendix 14. The undertaking will provide that the IFA will comply with the GEM Listing Rules and cooperate in any investigation conducted by the Listing Division and/or the GEM Listing Committee of the Exchange.
- IFAs will have to take all reasonable steps to satisfy themselves that there is a reasonable basis for making the statements required by rule 20.22(1) to (5) and that there is no reason to believe any information relied on by the IFA in forming its opinion or any information relied on by any third party expert on whose advice or opinion the IFA relies in forming its opinion, is not true or omits a material fact.
- A note to rule 17.92 will set out the due diligence steps the Exchange expects an IFA will typically perform.
- The amended rules will also set out the responsibilities of issuers to assist IFAs. That is, rule 17.93 will provide that, for example, an issuer must keep the IFA informed of any material change to any information previously given to or accessed by the IFA.

#### Coming into effect

**Subject to the transitional arrangements described in the News Release, the rule amendments will come into effect on 1 January 2005.**

**The amendments to the relevant sections of the GEM Listing Rules have been marked-up for your ease of reference. Please click [HERE](#) to see the amendments to the respective chapters. The revised version of the entire GEM Listing Rules is located in the section headed "Listing Rules (GEM)".**

Yours faithfully  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

Richard Williams  
Head of Listing

**Note to subscribers for the amendments to the rules governing the listing of securities  
on the Growth Enterprise Market  
("GEM Listing Rules")**

**Update No. 18**

31 March 2004

Dear Sirs,

**Amendments to the GEM Listing Rules relating to corporate governance issues**

We enclose reprinted pages of the GEM Listing Rules incorporating amendments to the GEM Listing Rules in relation to corporate governance issues, together with the filing instructions.

The principal amendments are as follows:

**Directors and board practice**

- Independent non-executive directors ("INEDs") play a pivotal role in the corporate governance of issuers. Given the increasingly important role of INEDs and to ensure that the views of INEDs carry significant weight in the board's decisions, the minimum number of INEDs required under the GEM Listing Rules is increased from 2 to 3
- One of the major responsibilities of INEDs is to provide an objective view on the assessment of the financial statements of issuers. Issuers are required to appoint at least one INED with appropriate professional qualifications or accounting or related financial management expertise
- The quality and independent state of mind of INEDs are essential for ensuring the effectiveness of their contribution. Additional guidelines have been introduced to assist issuers in assessing the independence of proposed INEDs

**Required standard of directors' dealings**

- The GEM Listing Rules have been amended to provide expressly that any breach of the required standard of directors' dealings will be regarded as a breach of the GEM Listing Rules
- A definition of "dealing" has been introduced to the required standard of directors' dealings to explain under what circumstances a transaction constitutes a dealing by a director in the securities of an issuer. New requirements have also been introduced on the notification and disclosure of directors' dealings and reporting on compliance with the required standard so as to enhance transparency

**Notifiable transactions and connected transactions**

- Amendments have been made to Chapters 19 (notifiable transactions) and 20 (connected transactions) to codify our interpretations in respect of certain provisions where the existing GEM Listing Rules were not clear or may have been ambiguous. The main changes are:
  - amendments to the definition of "connected person" to include persons who are connected by virtue of their relationship at the subsidiary level and to clarify under what circumstances a non wholly-owned subsidiary and relatives of a director, chief executive, management shareholder and substantial shareholder will be treated as a connected person
  - amendment to the definition of "connected transaction" to reflect the application of the connected transaction Rules in certain transactions between an issuer and a party which is not a connected person

- introduction of a new category of notifiable transaction, namely "very substantial disposal". This will ensure that shareholders are given an opportunity to exercise their voting rights and to express their views at a general meeting to approve any disposal transaction that may have a significant impact on the remaining business of the issuer and its prospects
- introduction of a total assets test to replace the net assets test to address the practical problems of the existing net assets test, in particular to provide issuers with net liabilities or negligible net assets with clarity on the application of the classification tests to their circumstances
- introduction of a new classification test, the consideration to market capitalisation test to replace the consideration to net assets test
- introduction of a new classification test, the revenue test as a stand-alone test to measure the impact of a transaction on the issuer in terms of level of business activity
- introduction of new percentage thresholds for classifying notifiable transactions based on the new tests
- all of the new tests except for the profits test will be used to classify connected transactions
- abolition of the annual shareholders' approval requirement for "continuing connected transaction"
- additional disclosure requirements for announcements and circulars relating to notifiable transactions and connected transactions

### **Financial reporting and disclosure obligations**

- The following major changes have been made to Chapter 18 of the GEM Listing Rules:
  - issuers will be permitted to distribute a summary half-year report rather than a full half-year report
  - the two-phased publication arrangement for annual results announcements has been abolished. To achieve this, the disclosure requirements for results announcements have been brought into line with the disclosure requirements for summary financial reports and summary half-year reports
  - introduction of new disclosure requirements relating to compliance with the required standard of directors' dealings and the requirements in respect of INEDs and establishment of an audit committee for annual reports and half-year reports to enhance transparency
  - introduction of recommended disclosures on management discussion and analysis for annual and half-year reports to enhance transparency
- A new section on disclosure of pro forma financial information has been included in Chapter 7 to explain when pro forma financial information must be prepared and the standards of preparation and assurance associated with any disclosure of pro forma financial information whether mandated or voluntary

### **Continuing listing obligations**

- To safeguard minority shareholders from material or unfair dilution of their interests, issuers are required to obtain independent shareholders' approval for the second and subsequent refreshments of a general mandate in any one year. An issuer will not be allowed to place its securities for cash consideration under a general mandate at a discount of 20% or more, unless it can satisfy the Exchange that it is in a serious financial difficulty and that the only way it can be saved is by an urgent rescue operation

- Voting by poll is required for connected transactions and other transactions which require approval by shareholders and shareholder(s) and their associates that have a material interest must abstain from voting
- Shareholders' approval is required for directors' service contracts that may exceed 3 years or directors' service contracts that expressly require the issuer to give a period of notice of more than 1 year or to pay compensation of more than 1 year's emoluments on termination

### **Other corporate governance rule amendments**

- The definition of "associate" in Chapter 1 has been expanded to remove the loophole in the existing GEM Listing Rules in relation to trust arrangements involving a company under the control of the trustee of a trust of which the connected person or any of his family interests is a beneficiary or discretionary object
- The definition of "subsidiary" has been expanded to include an entity which is accounted for in the audited consolidated accounts of an issuer as a subsidiary under applicable accounting standards
- Guidelines have been introduced to assist issuers in determining whether a shareholder has a "material interest" in a transaction codifying our existing interpretation of the GEM Listing Rules
- An issuer wishing to cancel/withdraw its primary listing on the Exchange in circumstances where the issuer has no alternative listing must obtain the prior approval of 75% or more of its shareholders, the same approval threshold for a privatisation offer under the Takeovers Code
- Issuers may not purchase their own shares on the Exchange if the purchase price is more than 5% above the average closing market price of those shares for the 5 preceding business days
- Amendments have been made to clarify the definition of "profit forecast" and reflect the practice that any estimate of profits or losses or reference to future profits or losses may be regarded as profits forecasts
- The provisions of Appendix 3 (Articles of Association) regarding nomination of directors have been amended to ensure that shareholders are given sufficient time to consider information on any proposed nomination of a director

### **Coming into effect**

Subject to the transitional arrangements set out in HKEx's news release of 30 January 2004 and its attachment, the rule amendments will be effective on 31 March 2004.

Yours faithfully  
For and on behalf of  
The Stock Exchange of Hong Kong Limited

Richard Williams  
Head of Listing

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The amendments to the relevant sections of the GEM Listing Rules have been marked-up for your reference, please click [here](#) to see the amendments to the respective chapters