

December 2017

CONSULTATION CONCLUSIONS

THE REVIEW OF THE GROWTH ENTERPRISE MARKET
(GEM) AND CHANGES TO THE GEM AND MAIN BOARD
LISTING RULES

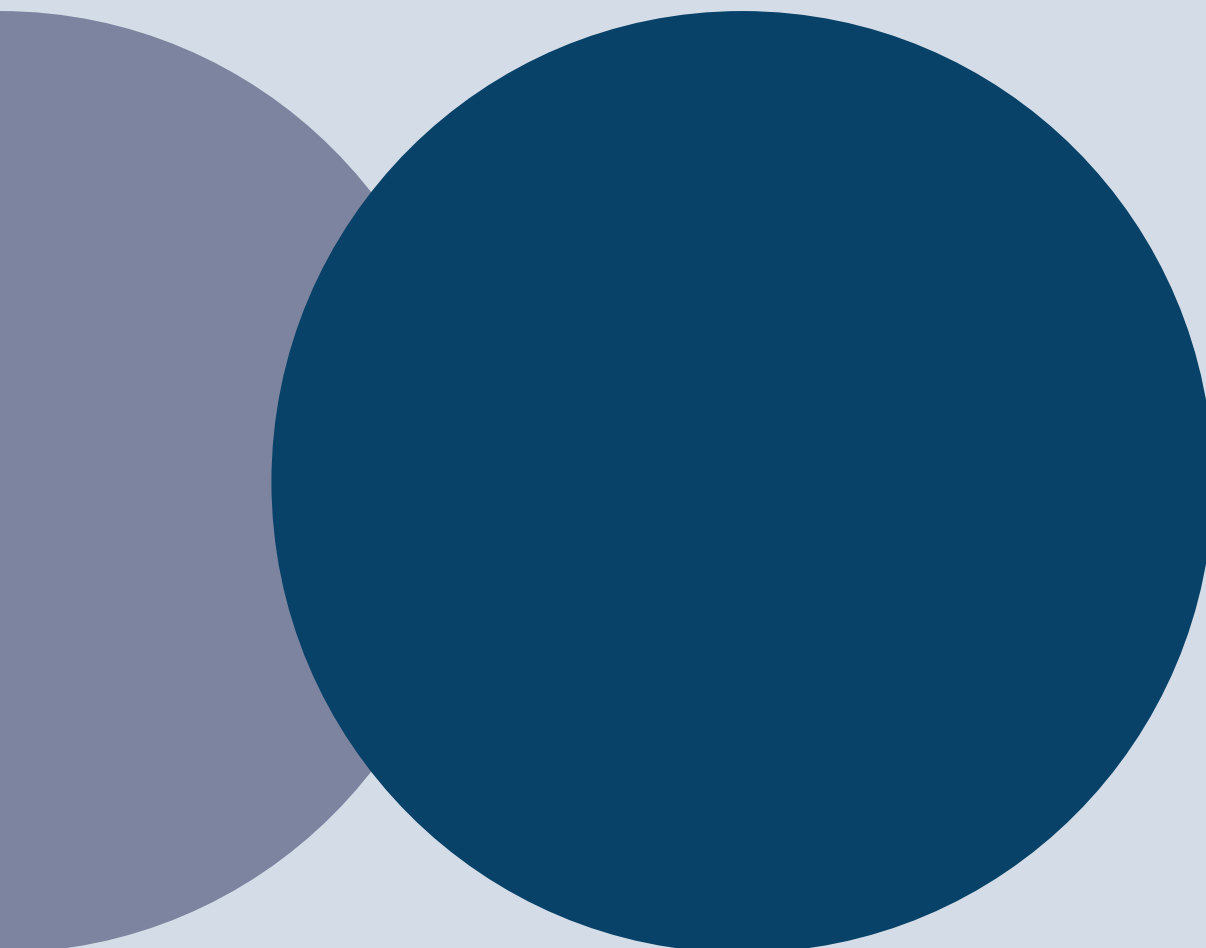


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DEFINITIONS

TERM	DEFINITION
“2017 Joint Statement”	Joint statement issued by the SFC and Exchange on the price volatility of stocks listed on GEM, in conjunction with the SFC Guideline, on 20 January 2017
“4-5-6 Rule”	China Securities Regulatory Commission’s rule issued in July 1999 which required enterprises to have RMB400 million of net assets, raise US\$50 million of funds, and have an after-tax profit of not less than RMB60 million before they could apply for listing on overseas main boards, including the Main Board. This rule was relaxed in 2013 following the signing of Supplement IX to the Closer Economic Partnership Arrangement between the Government of the Hong Kong Special Administrative Region and the Central People’s Government of the People’s Republic of China
“AIM”	Alternative Investment Market, under the London Stock Exchange, for early stage, venture capital and more established companies, where nominated advisers or “Nomads”, are gatekeepers, advisers and regulators of issuers
“ASX”	Australian Stock Exchange
“Cashflow Requirement”	The minimum amount (HK\$20 million) of aggregate operating cash flow before changes in working capital that a GEM applicant is required under GEM Listing Rule 11.12A(1) to have over the two financial years immediately preceding the issue of its listing document
“Catalist”	A sponsor-supervised listing platform, under the SGX, modelled on AIM where sponsors are qualified professional companies experienced in corporate finance and compliance advisory work and are the “front line” regulator of issuers
“ChiNext”	A Nasdaq-style board, under the Shenzhen Stock Exchange, for small Chinese companies which may not meet the listing criteria of the main market
“Consultation Paper”	HKEX consultation paper “ <i>Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules</i> ” (June 2017)
“Delegated Authority”	The authority delegated to the Listing Department by the Listing Committee to approve or reject GEM listing applications as from 1 July 2008
“Delisting Notice”	Notice issued by the Exchange to a GEM issuer indicating a period usually of six months whereby the issuer is required to remedy, or submit to the Exchange proposals to remedy the matters which otherwise may lead to the Exchange exercising its right to cancel the listing of the issuer’s shares on GEM under GEM Listing Rule 9.15

TERM	DEFINITION
“Eligible Issuers”	All issuers listed on GEM and all GEM applicants who have submitted a valid listing application for listing on GEM (and successfully listed on GEM subsequently with only one refreshed application permitted) on or prior to 16 June 2017
“Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of HKEX
“FCA”	Financial Conduct Authority, a financial regulatory body in the United Kingdom
“GEM”	Growth Enterprise Market of the SEHK
“GEM Streamlined Process”	Streamlined process introduced on 1 July 2008 where GEM issuers can transfer to the Main Board if they meet the Main Board admission requirements, without the need to appoint a sponsor and to issue a listing document
“GEM Transfer”	Transfer of a GEM listing to the Main Board
“HKEX”	Hong Kong Exchanges and Clearing Limited, the operator of the securities market and futures market in Hong Kong through SEHK
“HKEX-GL68-13A”	Guidance Letter HKEX-GL68-13A “ <i>Guidance on IPO vetting and suitability for listing</i> ” published on 3 June 2016
“HKEX-GL85-16”	Guidance Letter HKEX-GL85-16 “ <i>Placing to connected clients, and existing shareholders or their close associates, under the Rules</i> ” published on 22 January 2016
“IPO”	Initial public offering
“Listing Committee”	A committee of the SEHK board of directors that exercises all the powers and functions of the board in relation to listing matters
“Listing Rules”	Rules governing the listing of securities on the SEHK, and include both GEM and the Main Board rules unless otherwise stated
“Main Board”	Main board of the SEHK
“Mothers”	A stock market under the TSE for high-growth and emerging companies
“Nasdaq Global Select Market”	One of the tiers in Nasdaq Stock Market, a stock market in the United States that has three tiers - Nasdaq Global Select Market, Nasdaq Global Market and NasdaqCX
“NasdaqCX”	Nasdaq Capital Market, the lowest tier stock market in Nasdaq
“NYSE”	New York Stock Exchange
“P/E ratio”	Price-to-earnings ratio
“Profit Requirement”	Minimum profit requirement under the Main Board Listing Rule 8.05(1)(a), i.e. profit of at least HK\$20 million in the most recent financial year and aggregate profit of at least HK\$30 million in the

TERM	DEFINITION
	two preceding financial years of a listing applicant's three year trading period immediately preceding the issue of the listing document
"Rule Amendment Effective Date"	15 February 2018, on which the proposed amendments to the Main Board and GEM Listing Rules in this consultation conclusions paper comes into force
"SEHK" or "Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of HKEX
"Selected GEM Issuers"	A total of 121 newly listed GEM issuers from 2013 to 2016
"Selected Overseas Junior Exchanges"	Six overseas junior exchanges comprising AIM, Catalist, ChiNext, Mothers, NasdaqCX and TSX Venture. These junior exchanges are selected for comparison with GEM as they cover a reasonable portion of the global growth company landscape spanning the Asia-Pacific, European and Americas regions
"Selected Overseas Main Markets"	Six overseas main markets comprising ASX, FCA, Nasdaq Global Select Market, NYSE, SGX and SSE which represent some of the most successful overseas markets. The FCA is selected because it, rather than the exchange, sets the minimum financial eligibility requirements for admission to a listed securities market
"SFC"	Securities and Futures Commission, an independent statutory body which regulates Hong Kong's securities and futures markets
"SFC Guideline"	A guideline issued by the SFC, in conjunction with the 2017 Joint Statement, regarding the standard of conduct that is expected of sponsors, underwriters and placing agents involved in the listing and placing of GEM IPO stocks (20 January 2017)
"SGX"	Singapore Stock Exchange
"Small Cap MB Issuers"	A total of 82 newly listed Main Board issuers (excluding GEM Transfers) from 2013 to 2016 which had a market capitalisation in the lowest quartile (25%) of the Main Board at listing
"SSE"	Shanghai Stock Exchange
"Transitional Period"	Period of three years from the Rule Amendment Effective Date
"TSE"	Tokyo Stock Exchange
"TSX"	Toronto Stock Exchange
"TSX Venture"	A venture board under the TSX with two tiers (Tier 1 and Tier 2)

EXECUTIVE SUMMARY

1. This paper presents the results of the consultation conducted by SEHK on proposed reform to GEM and changes to the GEM and Main Board Listing Rules. It also sets out the reforms that will be implemented to the Main Board and GEM Listing Rules.
2. We received a total of 100 responses from professional bodies, market practitioners, issuers, industry associations, other entities and individuals. These responses were broadly in favour of the proposals in the Consultation Paper, with some reservations expressed over the proposals to (a) re-position GEM as a stand-alone board; (b) increase the Main Board's minimum market capitalisation requirement to HK\$500 million (and correspondingly the minimum public float value of securities to HK\$125 million); and (c) to consider the proposals for the Main Board and GEM independently.
3. After considering each respondent's view and opinion carefully, we will implement substantially all the proposals outlined in the Consultation Paper, with the exception of the proposals regarding (a) the track record period requirement prior to a GEM Transfer¹; and (b) extending the post-IPO lock up period for controlling shareholders of the Main Board listing applicants.
4. Please see Appendix I for a summary of the conclusions on the proposals and Appendix II for a summary result of our quantitative analysis of the responses. The amended GEM Listing Rules and Main Board Listing Rules (including consequential changes) are set out in Appendices III and IV respectively. Appendix V contains the list of respondents.
5. The Rules amendments will take effect from 15 February 2018. All listing applications received by the Exchange prior to the Rule Amendment Effective Date will be processed in accordance with the GEM or Main Board Listing Rules in force, as the case may be, with only one renewal of such application permitted thereafter. Applications received on or after the Rule Amendment Effective Date will be processed in accordance with the amended GEM or Main Board Listing Rules, as the case may be.
6. Eligible Issuers will be allowed to transfer their listings to the Main Board under the transitional arrangements described in paragraphs 144 to 146 in Chapter 4.
7. The transitional arrangements are set out in Chapter 4 of this paper. These transitional arrangements are for new listing applications and transfer applications, and will not affect continuing obligations and other aspects of the Main Board and GEM Listing Rules.

¹ We proposed that all GEM transfer applicants to have published and distributed at least two full financial years of financial statements after their GEM listings and to have not been subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 24 months before they can be considered for a GEM Transfer.

CHAPTER 1: INTRODUCTION

Background

8. On 16 June 2017, the Exchange published the Consultation Paper which set out a number of proposed changes to the GEM and Main Board Listing Rules.
9. In the Consultation Paper, we sought the market's views on our proposals under four key areas:

- (a) **GEM's position as a stepping stone to the Main Board:** we proposed to reform GEM by re-positioning it as a stand-alone board and remove the GEM Streamlined Process in view of the limited success of GEM's "stepping stone" positioning, among other concerns. This proposal would result in GEM Transfer applicants, in addition to meeting the Main Board eligibility requirements, to appoint a sponsor and produce a "prospectus-standard" listing document.

We also requested views on our proposal to require GEM Transfer applicants to have (i) published and distributed at least two full financial years of financial statements after their GEM listings; and (ii) not been subject to any disciplinary investigation by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 24 months before they can be considered for a GEM Transfer.

- (b) **GEM admission requirements:** we proposed to retain GEM's current track record requirement (i.e. two financial years) and the current practice of not requiring a GEM applicant that can meet the Main Board admission requirements to list on the Main Board instead of GEM.

We also proposed to enhance GEM's admission requirements by increasing (i) the Cashflow Requirement from at least HK\$20 million to at least HK\$30 million; (ii) the minimum market capitalisation requirement from HK\$100 million to HK\$150 million; and (iii) the post-IPO lock-up requirement on controlling shareholders from one year to two years.

- (c) **Open market requirements:** we proposed to (i) introduce a mandatory public offering mechanism of at least 10% of the total offer size for all GEM IPOs; (ii) align the GEM Listing Rules on (1) placing to core connected persons, connected clients and existing shareholders, and their respective close associates and (2) allocation of offer shares between the public and placing tranches and the clawback mechanism with the relevant requirements under the Main Board Listing Rules; and (iii) increase GEM's minimum public float value of securities from HK\$30 million to HK\$45 million.

- (d) **Main Board requirements:** we proposed to retain the Profit Requirement as one of the tests in determining an applicant's eligibility to list on the Main Board and to retain the current level of profit under the Profit Requirement.

We proposed to enhance the Main Board Rules by increasing (i) the minimum market capitalisation requirement from HK\$200 million to HK\$500 million; and (ii) the minimum public float value of securities proportionately from HK\$50 million to HK\$125 million (25% of HK\$500 million). We also sought views on whether it is appropriate to extend the post-IPO lock-up requirement on controlling shareholders from one year to two years given the concerns expressed in HKEX-GL68-13A may not apply to a large part of the Main Board given the larger size of its listing applicants and our proposal to raise the

minimum market capitalisation requirement. Finally, we also proposed to consider the Main Board proposals independently irrespective of the outcome of the GEM proposals.

10. The consultation period ended on 18 August 2017.
11. This paper should be read in conjunction with the Consultation Paper, which is posted on the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017062.pdf>

Number of responses and nature of respondents

12. We received 100 responses from a broad range of respondents, with four responses submitted after the close of the consultation period:

Table 1: Number and percentage of response by respondent category

CATEGORY	NUMBER OF RESPONSES	PERCENTAGE
INSTITUTIONS		
Market Practitioners:	31	31%
Investment Managers	4	4%
Sponsor Firms / Banks	13	13%
Accountancy Firms	7	7%
Law Firms	7	7%
Professional Bodies	18	18%
Listed Companies	10	10%
HKEX Participants	7	7%
Political Bodies	3	3%
None of the above	9	9%
INDIVIDUALS		
HKEX Participant Staff	2	2%
Investment Management Staff	1	1%
Corporate Finance Staff	4	4%
Retail Investors	1	1%
Listed Company Staff	4	4%
Accountant	1	1%
Lawyers	5	5%
None of the above	4	4%
TOTAL	100	100%

13. We received support from a majority of the respondents for most of our proposals, with some recommendations. Chapter 2 summarises the major comments and our responses.

14. All responses are available on the HKEX website at [http://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses December 2017?sc_lang=en](http://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses%20December%202017?sc_lang=en)

Appendix V contains a list of the respondents.

15. The amendments to the GEM and Main Board Listing Rules are available on the HKEX website at:

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=49 (Update No.54) and

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=2 (Update No. 118).

The Listing Rules have been approved by the Board of the Exchange and Board of the SFC, and will become effective on 15 February 2018.

16. We would like to thank all those who have shared their views with us during the consultation process.

CHAPTER 2: PROPOSALS ADOPTED AND DISCUSSION ON SPECIFIC RESPONSES

17. In this chapter we set out the reform proposals and provide a quantitative and qualitative analysis of the responses to each proposal in the Consultation Paper, including some specific comments received which may be of interest to the market, and our views in respect of them. We then set out our decision whether to adopt (with or without modifications) each of the proposals, as the case may be. Please see Appendix I for a summary of the conclusions, and Appendix II for a summary result of quantitative analysis of responses in purely numerical terms.

A. GEM's position as a stepping stone to the Main Board (Questions 1 and 2)

18. **Question 1:** Do you agree with the proposal to re-position GEM as a stand-alone board and hence remove the GEM Streamlined Process for GEM Transfers and re-introduce the requirements to (a) appoint a sponsor to conduct due diligence for GEM Transfers; and (b) publish a "prospectus-standard" listing document such that GEM Transfer applications are treated as a new listing application (without requiring the applicant to conduct an offering)?

Comments received

19. The market's views on this proposal were diverse with 50% of the respondents supported the proposal and 41% opposed. The remaining 9% did not indicate a view.

20. Below is a summary of arguments in favour of the proposal:

(a) When GEM was established in 1998, it was not intended to be a "stepping stone" to the Main Board. After GEM was re-positioned in 2008, its lower admission requirement and optional placing-only offering mechanism together with the GEM Streamlined Process were exploited by certain poor quality companies to circumvent the more stringent admission requirements of the Main Board, which has impacted the overall quality of the Hong Kong market and caused GEM to become an inferior listing platform.

(b) GEM's "stepping stone" positioning has achieved limited success and the GEM Streamlined Process does not provide sufficient shareholder protection. Appropriate due diligence and full disclosure will help improve the quality and performance of the GEM Transfer applicants and hence preserve the quality of the Main Board, enhance safeguards for investors and prevent the creation of potential shell companies.

21. Below is a summary of arguments against the proposal:

(a) GEM issuers have gone through the same due diligence process as Main Board issuers when they applied to list on GEM. They are subject to stringent ongoing listing requirements and delisting mechanism under the GEM Listing Rules. It will be unduly onerous to require GEM Transfer applicants to be subjected to the same requirements as a new Main Board listing applicant upon transfer. It is also unfair to change the requirements for existing GEM issuers or companies preparing to list on GEM that have the expectation of transferring to the Main Board under the GEM Streamlined Process.

(b) The Exchange's proposals to increase GEM's admission requirements e.g. to increase in the Cashflow Requirement, minimum market capitalisation and public float value of securities, if adopted, will address GEM's current issues and it will then not be

necessary to re-position GEM as a stand-alone board and remove the GEM Streamlined Process.

- (c) The GEM Streamlined Process is a key attractive feature of GEM and an integral part of GEM's success. Removing this process will substantially increase the cost of GEM Transfers and devalue GEM as a market to nurture and grow small to mid-sized companies, which will in turn reduce the attractiveness of GEM and stunt the growth of quality GEM issuers.

22. Some of the respondents proposed the following modifications:

- (a) More stringent disclosure requirements should be adopted for announcements to be published by GEM Transfer applicants on transfer and the requirement to appoint a sponsor and to publish a listing document should be imposed only on applicants that have had a material change in their principal business and/or controlling shareholders since GEM listing. Alternatively, for GEM Transfer applicants that did not have such changes, a sponsor should only assess the information in relation to the material changes since the applicant's listing on GEM and a simplified listing document should be allowed for this purpose.
- (b) Certain information in the listing document could be waived or allowed to be incorporated by reference, e.g. the accountants' report and biographical details of directors and senior management.

23. One respondent stated that the proposed market structure, i.e. re-positioning of GEM as a stand-alone board, together with the HKEX proposals on the New Board may ultimately result in four unconnected markets in Hong Kong, which will lead to segregation of investors and will greatly affect the liquidity of each board.

24. One respondent suggested the Exchange consider matters consequential to the re-positioning of GEM as a "stand-alone" board. For example, if the "stepping stone" is removed, a GEM issuer will have to delist from GEM and apply as a new Main Board issuer, would not be permitted to issue new shares for six months after listing on the Main Board and would be subject to a post-lock up requirement unless waivers are granted.

25. One respondent indicated that GEM should (a) adopt an accelerated delisting mechanism; and (b) have its reporting requirements (on frequency of reporting and reporting on environment, social and governance) aligned with those of the Main Board.

Our responses and conclusion

26. GEM was re-positioned as a "stepping stone" to the Main Board in 2008 to provide a channel for smaller companies that had grown and developed in size and maturity while on GEM to list more easily on the Main Board. It was also meant to provide a route to listing on the Main Board for H-share companies that could not meet the 4-5-6 Rule set by the Mainland authorities.

27. In recent years, we have found issues more commonly among GEM issuers than MB issuers, including high shareholding concentration, illiquidity and high volatility which led to concerns that GEM's lower admission requirements together with the GEM Streamlined Process are being exploited by poorer quality companies to gain easy access to the Main Board via GEM.

28. Our Consultation Paper set out the reasons why we believed that the "stepping stone" had achieved limited success. These were that:

- (a) although the number of GEM issuers has increased from 189 as of 1 July 2008 to 260 as of 31 December 2016 (involving 158 new GEM listings), only one H-share company has listed on GEM in 2015 since the changes in the GEM Rules in 2008 and up to 31 December 2016²;
- (b) since the changes in the GEM Rules in 2008 and up to 31 December 2016, the number of GEM Transfers per annum has not exceeded the 14 transfers that were completed in the second half of 2008 immediately after the implementation of the GEM Streamlined Process³; and
- (c) the total number of GEM Transfers compared to the total number of GEM issuers eligible for a GEM Transfer, decreased from 7.2% in second half 2008 to 2.7% in 2016⁴.

We therefore questioned whether the GEM Streamlined Process still serves its intended purpose and is in line with other regulatory developments.

29. Also, it can be argued that the GEM Streamlined Process is contrary to the objective of the sponsor regime implemented in October 2013 which is to ensure companies seeking a listing either on the Main Board or GEM have comprehensive due diligence conducted on them with a properly drafted listing document prior to admission to the relevant board. If an issuer can list on the Main Board through a GEM Transfer without having gone through this due diligence process, there is a risk of regulatory arbitrage which may affect the quality and reputation of the Hong Kong market given the different eligibility criteria between the two boards.
30. Besides increasing GEM's admission requirements to improve the quality of GEM issuers, it is also important that we preserve the quality of issuers listed on the Main Board and also its distinctiveness and position as a market for companies that can meet Hong Kong's highest market standards. Requiring sponsor due diligence for GEM Transfers is a means to uphold the quality of issuers listing on the Main Board.
31. Having considered all the responses on this issue, we maintain the view that removing the GEM Streamlined Process will help improve the overall standard of our market. This should contribute to the success of both the Main Board and GEM in the long term. We will therefore implement our proposal to re-position GEM as a stand-alone board. This will mean that GEM Transfer applicants (which do not fall under the transitional arrangements described in Chapter 4) will be required to appoint a sponsor to conduct due diligence and publish a listing document to list on the Main Board.
32. In light of some respondents' feedback that the removal of the GEM Streamlined Process would be unduly onerous and there were suggestions for the Exchange to consider some measures after the GEM Streamlined Process is removed, we have decided to provide certain facilitating measures for GEM Transfer applicants for the new process. These include dispensation with certain documentary requirements⁵; exemptions from the requirements on post-IPO lock-up⁶, restriction on fund raising⁷ and appointment of compliance adviser.

² For the eight months ended August 2017 there were 51 new GEM listings of which two are H-share issuers.

³ For the eight months ended August 2017 there were six GEM Transfers to the Main Board.

⁴ For the eight months ended August 2017 the percentage was 2.5%.

⁵ These documents are the certified copy of the GEM Transfer applicant's certificate of incorporation or equivalent document (Main Board Rule 9.11(17a)) and a copy of the written notification issued by Hong Kong Securities Clearing Company Limited stating the securities will be eligible securities (Main Board Rule 9.11(30)).

⁶ Provided that any plan by the controlling shareholders of the issuer to dispose of their interests in the issuer in the next 12 months has been prominently disclosed in the listing document.

Furthermore, GEM Transfer applicants are not required to comply with the GEM delisting procedures under Chapter 9 of the GEM Listing Rules before they apply to list on the Main Board.

33. **Question 2:** Do you agree with the proposal to require all GEM Transfer applicants to have (i) published and distributed at least two full financial years of financial statements after their GEM listings; and (ii) not been subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 24 months before they can be considered for a GEM Transfer?

Comments received

34. 59% of the respondents supported the proposal and 21% opposed. The remaining 20% did not indicate a view.
35. We note that among the 76 respondents who indicated their views for proposals in questions 1 and 2, 36% only supported one of the two proposals, and not both. Some of these respondents commented that these two proposals are mutually exclusive because if the GEM Streamlined Process is removed, GEM Transfer applicants should not be subject to a longer waiting period since they will be required to appoint a sponsor and publish a listing document like Main Board listing applicants. The longer waiting period should only be required if GEM remains as a “stepping stone” to the Main Board.
36. Several respondents stated that the proposal in question 2 amounts to unfair treatment given a GEM issuer will effectively be required to have a four-year track record (that is, comprising the two-year track record requirement for a GEM listing under the current GEM Listing Rules and the proposed two full financial years after GEM listing) before it can apply for a GEM Transfer. This will result in a more onerous requirement than the three-year track record requirement for Main Board listing applicants.
37. Several respondents disagreed with the condition that a potential GEM Transfer applicant must not have been “subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules.” This is because investigations are non-conclusive and an applicant should not be considered to have been in breach until such investigations have concluded.

Our responses and conclusion

38. Given our conclusion to re-position GEM as a stand-alone board, all GEM Transfer applicants will be vetted as new Main Board listing applicants. We agree that if this proposal was adopted, it would result in the track record requirement for GEM Transfer applicants being longer, and thus more onerous, than the equivalent Main Board requirement.
39. Given our analysis above and views expressed by some respondents, we will not adopt this proposal and will retain the existing requirement that all GEM Transfer applicants must have (i) published and distributed at least one full financial year of financial statements after their GEM listings; and (ii) not been subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 12 months before they can be considered for a GEM Transfer.

⁷ Provided that any plan to raise funds within six months from the date of the transfer of the issuer’s listing to the Main Board has been prominently disclosed in the listing document.

40. We continue to believe that disciplinary investigations for any serious breach or potentially serious breach of any Listing Rules are pertinent to the assessment of their suitability to be considered for a GEM Transfer.

B. GEM ADMISSION REQUIREMENTS (Questions 3 to 7)

41. **Question 3:** Do you agree with the proposal to retain the current track record requirement under the GEM Listing Rules (i.e. two financial years)?

Comments received

42. 76% of the respondents supported the proposal and 1% opposed. The remaining 23% did not indicate a view.
43. Some respondents stated that GEM's current track record requirement is an appropriate time period to assess the quality of GEM listing applicants and any increase will result in GEM having the same or a more stringent requirement than the Main Board.

Our responses and conclusion

44. In light of market support, we will retain the current track record requirement.

45. **Question 4:** Do you agree with the proposal to retain the current practice of not requiring a GEM applicant that can meet the Main Board admission requirements to list on the Main Board instead of GEM?

Comments received

46. 66% of the respondents supported the proposal and 11% did not. The remaining 23% did not indicate a view.
47. Some respondents stated that the venue of listing is purely a commercial decision of a listing applicant. Also it would be necessary for GEM applicants and their sponsors to prepare at least three years of audited financial statements in order to demonstrate whether the applicant is eligible for a Main Board listing. This would be unduly onerous. One respondent also commented that the re-positioning of GEM will remove the concern of potential abuse of regulatory arbitrage and so there will be lesser incentive for companies to seek for listing on GEM as a "short-cut" to list on the Main Board.
48. A few respondents considered that companies that are qualified to list on the Main Board must apply for a Main Board listing in order to (a) prevent any potential abuse of GEM's lower admission requirements; and (b) provide a clear distinction between the companies listed on the two boards.
49. Some respondents suggested that the Exchange should (a) follow up on a GEM applicant when there is indication in its GEM listing application that the applicant could potentially list on the Main Board; and (b) reserve the right to reject the GEM listing application of such companies to prevent any potential abuse of GEM's lower admission requirements.

Our responses and conclusion

50. We agree that when GEM is re-positioned as a stand-alone board and the GEM Streamlined Process is removed, together with the other proposals to be adopted, for example, mandatory public offering (see paragraph 75), any concerns on potential attempts to capitalise on

regulatory arbitrage between GEM and the Main Board will be minimised. It will then be unlikely that companies which are qualified to list on the Main Board will apply for a listing on GEM.

51. In light of market support, we will retain the current practice and as stated in the Consultation Paper, we will continue to require GEM applicants to justify their decisions to list on GEM instead of the Main Board when there is indication in their GEM listing applications that the applicants could potentially list on the Main Board.

52. Question 5: Do you agree with the proposal to increase the Cashflow Requirement from at least HK\$20 million to at least HK\$30 million?

Comments received

53. 52% of the respondents supported the proposal and 24% opposed. The remaining 24% did not indicate a view.
54. Many respondents stated that GEM's admission requirements should be increased to improve the quality of GEM issuers and promote investors' confidence. Some proposed that the Cashflow Requirement should be increased further with one respondent suggesting a HK\$50 million requirement.
55. Some respondents were concerned that genuine potential growth companies would be deterred from listing on GEM if its admission requirements (including the Cashflow Requirement) were to be increased together with the removal of the GEM Streamlined Process. They also stated that GEM's financial requirement is already high when compared to the Selected Overseas Junior Exchanges.
56. One respondent stated that the problems faced by GEM issuers are not related to their size but, instead, to the conduct of their controlling shareholders and connected parties. The respondent believed that the proposal, if adopted, would not necessarily improve the quality of GEM as some quality companies struggle to generate surplus cash.

Our responses and conclusion

57. The current Cashflow Requirement was introduced almost nine years ago and, as explained in the Consultation Paper, a majority of the Selected GEM Issuers would have been able to meet a Cashflow Requirement of HK\$30 million. Further, GEM has not been a board for emerging companies or new start-up businesses since July 2008 when it was re-positioned as a "stepping stone" to the Main Board. We therefore believe that the incremental nature of the proposed increase the Cashflow Requirement should not reduce GEM's attractiveness for small to mid-sized companies.
58. Although some companies may decide not to list on GEM as a result of higher admission requirements compared to other overseas exchanges, we believe it is more important to improve the overall standard and quality of companies seeking to list on GEM by attracting companies with stronger cashflow performance.
59. In light of the above, we will adopt the proposal.

60. Question 6: Do you agree with the proposal to increase the minimum market capitalisation requirement at listing from HK\$100 million to HK\$150 million?

Comments received

61. 60% of the respondents supported the proposal and 19% opposed it. The remaining 21% did not indicate a view.
62. We note that 98% of respondents that supported increasing the Cashflow Requirement also supported this proposal as they thought both proposals would improve the quality of GEM and promote investor confidence.
63. One supporting respondent stated that, since GEM does not have any profit requirement, the minimum market capitalisation requirement should be set at the higher level of HK\$200 million to demonstrate applicants' promise and attractiveness to a sufficient number of investors.
64. A few opposing respondents stated that (a) GEM's admission requirements are not appropriate measures to determine the quality of a company; (b) the proposals to increase these requirements will deter new start-up businesses from listing on GEM and are contrary to the Government policy to support small to mid-sized companies; and (c) these proposals will reduce the attractiveness of GEM as a listing platform. One respondent further stated that GEM's minimum market capitalisation requirement is already the second highest among the Selected Overseas Junior Exchanges and expressed the view that the shares of GEM issuers which lack an open market and are concentrated in few hands can be dealt with by other proposals (e.g. introduction of a mandatory public offering mechanism).

Our responses and conclusion

65. We believe that the proposal to increase GEM's admission requirements will improve the overall standard and quality of GEM in the long term and will also help address market concerns on the liquidity of GEM issuers' securities. As explained in the Consultation Paper, among other considerations, 88% of Selected GEM Issuers had initial market capitalisation of HK\$150 million or above at listing which indicates a majority of GEM issuers could meet the new requirement.
66. In light of the above, we will adopt the proposal.

67. **Question 7:** Do you agree with the proposal to increase the post-IPO lock-up requirement such that controlling shareholders of GEM issuers (a) cannot dispose of any of their equity interest in a GEM issuer within the first year of listing; and (b) cannot dispose of any interest in the subsequent year that would result in them no longer being a controlling shareholder as defined under GEM Listing Rule 1.01?

Comments received

68. 71% of respondents supported the proposal and 11% opposed. The remaining 18% did not indicate a view.
69. Some respondents stated that the post-IPO lock-up period presents a commitment from the controlling shareholders of listing applicants to the public to develop the underlying businesses or assets, and it is therefore essential to increase the post-IPO lock up period to increase investors' confidence and that it will help contribute to the success of GEM in the long run. Some also indicated that IPOs are supposed to be a fund-raising channel instead of an exit strategy for controlling shareholders and that this is an effective measure to control the listing of potential shell companies.

70. Several respondents stated that equity interests are the assets belonging to the controlling shareholders and they should have freedom to decide whether to own or dispose of them.
71. One respondent believed that the current post-IPO lock up requirement for GEM is on par with the majority of the Selected Overseas Junior Exchanges and increasing it may affect the competitiveness of the Hong Kong market. Another respondent suggested that controlling shareholders should be allowed to sell down their interests in the second year to the extent that they remain substantial shareholders instead of controlling shareholders.

Our responses and conclusion

72. As explained in the Consultation Paper, controlling shareholders of GEM applicants are expected to use GEM as a platform to develop their underlying businesses or assets rather than for the perceived premium attached to the listing status of their companies. As such, although this proposal may be more onerous than the requirements of some Selected Overseas Junior Exchanges, it will nevertheless be a means by the Exchange to prevent companies listing for the perceived premium attached to the listing status.
73. We believe a longer post-IPO lock-up requirement will extend a controlling shareholder's post-listing commitment to a GEM applicant. This is reasonable given that a two-year post-IPO lock-up period is in line with the two-year disclosure requirement of an applicant's strategic plan in the listing document under the GEM Listing Rules, which is a general indication of the controlling shareholders' intention for the applicant at listing that potential investors rely on in making their investment decisions.
74. In light of market support, we will adopt the proposal.

C. OPEN MARKET REQUIREMENTS (Questions 8 to 10)

75. **Question 8:** Do you agree with the proposal to introduce a mandatory public offering mechanism of at least 10% of the total offer size for all GEM IPOs?

Comments received

76. 73% of the respondents supported the proposal and 8% opposed it. The remaining 19% did not indicate a view.
77. Some respondents stated that (a) GEM's offering mechanism should be aligned with that of the Main Board; and (b) the mandatory public offering mechanism will help to ensure an open market, reduce shareholding concentration and share price volatility. They thought it would also prevent the manufacturing of shareholder bases and share price manipulation. Further, respondents noted that most GEM IPOs launched after the publication of the 2017 Joint Statement were successfully marketed through a combination of placing and public offering or through a public offering only.
78. Some respondents stated that the proposal will substantially increase the cost of listing for GEM companies and reduce the attractiveness and competitiveness of GEM. Instead, the Exchange should give clearer guidance on open market requirements or consider increasing the minimum public shareholder requirement from 100 to 300 to improve liquidity and ensure an open market. Another respondent stated that the Exchange should focus on taking a more robust approach to the placing arrangements of GEM applicants as recent examples of SFC actions against GEM issuers with public offerings had shown that having a public offering alone is not a guarantee of an open market.

79. One respondent also suggested that if the mandatory public offering requirement is to be introduced, it should be of a higher level, e.g. 50%, as a 10% level would mean only about HK\$3 million worth of shares would be available to retail investors which the respondent believed would be an immaterial amount.

Our responses and conclusion

80. It is important that an open market exists in the shares of GEM issuers and that holdings in their shares are not concentrated among a small group of shareholders. The lack of an open market results in shares not being available to freely trade on the Exchange which in turn can cause higher price volatility in share prices. We believe introducing a mandatory public offering mechanism for all GEM IPOs will help address this issue. We believe this has been evidenced by IPOs of GEM issuers that have conducted a public offer since the 2017 Joint Statement. As such, although the cost of listing on GEM will inevitably increase as a result of mandatory public offering requirement, we believe the benefits of this proposal outweigh the costs to applicants.
81. Further, as applicants vary in terms of size, we believe that the open market requirement under the Listing Rules should be principal-based rather than bright-line based. The 2017 Joint Statement and the SFC Guideline provide sufficient guidance to the market in this regard to ensure the establishment of an open market in GEM applicants' shares upon listing and we do not believe any additional guidance is necessary.
82. In light of market support, we will adopt the proposal.

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| 83. Question 9a: Do you agree with the proposal to align the GEM Listing Rules on placing to core connected persons, connected clients and existing shareholders, and their respective close associates with those under Appendix 6 to the Main Board Listing Rules and HKEX-GL85-16? |
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Comments received

84. 71% of respondents supported the proposal and 3% opposed it. The remaining 26% did not indicate a view.
85. Some respondents stated that the alignment will maintain consistent market practice, attract more investors to GEM and would help GEM's development. One respondent stated that the proposal would address the issue of preferential treatment and the arbitrary manufacturing of shareholder bases and hence the manipulation of share prices, which the respondent believed was more prevalent among GEM issuers.

Our responses and conclusion

86. We agree with the market feedback and believe aligning the GEM Listing Rules on placing to relevant persons and their respective close associates with those under Appendix 6 to the Main Board Listing Rules and HKEX-GL85-16 will provide better safeguards to shareholders and agree that consistency between the two boards is preferable.
87. We will adopt the proposal.

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| 88. Question 9b: Do you agree with the proposal to align the GEM Listing Rules on the allocation of offer shares between the public and placing tranches and the clawback mechanism with those in Practice Note 18 to the Main Board Listing Rules? |
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Comments received

89. 68% of the respondents supported the proposal and 4% opposed. The remaining 28% did not indicate a view.
90. Some respondents stated that the alignment will help attract more investors to GEM and help GEM's development. One respondent stated that the proposal will help ensure that GEM issuers and their underwriters do not excessively favour institutional investors at the expense of public investors.

Our responses and conclusion

91. For reasons similar to those stated in paragraph 86, we will adopt the proposal.

92. Question 10: Do you agree with the proposal to increase the minimum public float value of securities from HK\$30 million to HK\$45 million?
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Comments received

93. 59% of the respondents supported the proposal and 20% opposed. The remaining 21% did not indicate a view.
94. Some respondents stated that the proposal will help to increase the liquidity of shares in GEM and thus improve GEM's quality. Further, respondents believed a higher minimum public float value would help establish an open market as a small fund-raising exercise would not justify the listing expense.
95. A few respondents stated that any increase in GEM's admission requirements may affect the attractiveness of GEM.

Our responses and conclusion

96. For reasons similar to those stated in paragraphs 57 and 65 above, we believe these proposals together will improve the overall standard and quality of GEM in the long term and address market concerns on the lack of an open market in GEM issuers' securities.
97. We will adopt the proposal.

D. MAIN BOARD REQUIREMENTS (Questions 11 to 16)

98. We proposed to increase certain requirements of the Main Board to ensure that there is a clear distinction between issuers listed on GEM and the Main Board so that investors can choose investments that most closely match their investment goals.

99. Question 11: Do you agree with using the Profit Requirement to determine eligibility to list on the Main Board?
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Comments received

100. 72% of the respondents supported the proposal and 4% opposed. The remaining 24% did not indicate a view.

101. Some respondents stated that the Profit Requirement is generally a good indicator of a Main Board listing applicant's future performance and is commonly used by other comparable exchanges to determine eligibility of an applicant.

Our responses and conclusion

102. We concur with the respondents' feedback that the Profit Requirement is generally a good indicator of a Main Board applicant's future profitability and therefore we will retain the Profit Requirement as one of the eligibility requirements to list on the Main Board.

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| 103. Question 12: If you agree to retain the Profit Requirement, do you agree that the current level of profit under the Profit Requirement should remain unchanged? |
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Comments received

104. 56% of the respondents supported the proposal and 13% opposed it. The remaining 31% did not indicate a view.
105. We note that 77% of the respondents that supported the proposal to retain the Profit Requirement also agreed to retain current level of profit under the Profit Requirement.
106. Some respondents stated that the current level of profit under the Profit Requirement is on par with the majority of the Selected Overseas Main Markets. A few respondents proposed to increase the current level of the Profit Requirement if the proposal to increase Main Board's minimal market capitalisation is adopted (see paragraph 116 below).

Our responses and conclusion

107. Given our assessment and conclusion in paragraphs 117 to 120 below, we concur that the no change to the current level of profit under the Profit Requirement is necessary.
108. We will retain the current level of profit under the Profit Requirement.

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| 109. Question 13: Do you agree with the proposal to increase the minimum market capitalisation requirement at listing for Main Board applicants from at least HK\$200 million to at least HK\$500 million? |
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| 110. Question 14: Do you agree with the proposal to proportionately increase in the minimum public float value of securities for Main Board applicants from HK\$50 million to HK\$125 million (25% of HK\$500 million)? |
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Comments received

111. Question 13 – 50% of the respondents supported the proposals and 30% opposed it. The remaining 20% did not indicate a view.
112. Question 14 – 48% of the respondents supported the proposals and 31% opposed it. The remaining 21% did not indicate a view.
113. 92% of the respondents who supported the proposal to increase the minimum market capitalisation also agreed to proportionately increase the minimum public float value of securities.

114. One respondent stated that the proposals are appropriate given the market capitalisation of a majority of the Main Board issuers are above this threshold. One respondent stated that these proposals will better segregate the Main Board and GEM, preserve the Main Board's position as a market for larger companies and increase the Main Board's competitiveness in attracting large and prominent enterprises to Hong Kong. One respondent suggested to further increase the minimum market capitalisation requirement to HK\$650 million in order to maintain the quality and competitiveness of the Main Board given that the proposed HK\$500 million is still significantly lower than some Selected Overseas Main Markets (i.e. NYSE, NASDAQ Global Select Market and SGX).
115. A few opposing respondents raised the following concerns:
- (a) The proposed 2.5 times increase in the minimum market capitalisation requirement is too drastic and will prevent smaller profitable companies with good potential from listing on the Main Board which will then affect Main Board's competitiveness and attractiveness. An excessively high minimum market capitalisation requirement may unreasonably restrict certain companies from listing especially when the market is less active. Further, market capitalisation depends on stock market performance and fluctuates from time to time and the proposal will result in the Main Board listing applicants becoming more susceptible to stock market performance to be eligible to list.
 - (b) Based on the current Profit Requirement (HK\$20 million for the latest financial year) and minimal market capitalisation requirement (HK\$200 million), the implied historical P/E ratio is 10 times. The proposals to retain the current level of profit under the Profit Requirement together with the increase of the minimal market capitalisation requirement to HK\$500 million will increase the implied historical P/E ratio significantly to 25 times, which is relatively high compared to 14.46 times implied by the Hang Seng Index as at 30 June 2017.
 - (c) Different industries have different P/E ratios. The significant increase in the implied historical P/E ratio may result in a number of Main Board listing applicants that are able to satisfy the Profit Requirement but not the higher market capitalisation requirement not being able to list on the Main Board, and in turn lead to an unbalanced development and composition of industries of issuers listed on the Main Board as some businesses, e.g. manufacturing or "Old Economy" businesses, have inherently lower P/E ratios.
116. Some respondents proposed alternative measures, including (a) increasing the minimal market capitalisation requirement to HK\$300 million (1.5 times of the current requirement which is the same level of increase as GEM's proposal (paragraph 60) and also increasing the level of profit in the latest financial year under the Profit Requirement to HK\$30 million in order to maintain the same implied historical P/E ratio of 10 times; and (b) proportionately increase the minimum public float value of securities to HK\$75 million (25% of HK\$300 million).

Our responses and conclusion

117. As explained in Chapter 5 of the Consultation Paper, we believe the proposed increase of Main Board's minimal market capitalisation to HK\$500 million is appropriate because it (a) broadly reflects the doubling in the average market capitalisation of listed companies from HK\$7.7 billion in 2004 to HK\$14.7 billion in 2016; (b) helps to preserve the distinctiveness of the Main Board and its position as a market for larger companies; and (c) positions our Main Board closer to some of the Selected Overseas Main Markets such as Nasdaq Global Select Market and NYSE.

118. We do not believe the increase in the proposed increase in the market capitalisation requirement at listing for Main Board applicants will result in an unbalanced composition of industries of issuers listed on the Main Board. As we stated in Appendix IV of the Consultation Paper, the average market capitalisation of Small Cap MB Issuers exceeded HK\$500 million, and over 80% of the Small Cap MB Issuers are in “traditional” industries including the consumer goods and services industry, the property and construction industry and the industrial and material industries.
119. An implied historical P/E ratio of 25 times for a new applicant wishing to list on the Main Board under our proposals would only be required if the applicant met the Profit Requirement and the revised market capitalisation requirement exactly. In practice, most new applicants achieve profits and have market capitalisations that exceed our requirements by varying degrees. So, most applicants could list with an implied historical P/E ratio of less than 25 times. Also, the Profit Requirement and revised market capitalisation requirements are minimum standards that set the floor for the profits and market capitalisation that applicants must have if they wish to list on the Main Board. It is not unreasonable to require an applicant to have a higher implied historical P/E ratio if it is close to meeting only our minimum requirements. This would indicate that, despite this, the market has a high degree of faith in the applicant’s future prospects.
120. In view of the above, we will adopt the proposals.

121. **Question 15:** Do you agree with the proposal to increase the post-IPO lock-up requirement such that the controlling shareholders of Main Board issuers (a) cannot dispose of any of their equity interest in a Main Board issuer within the first year of listing; and (b) cannot dispose of any interest in the subsequent year that would result in them no longer being a controlling shareholder as defined under Main Board Listing Rule 1.01? Alternatively, do you believe that it is not appropriate to extend the post-IPO lock-up requirements for Main Board applicants, given that they are less likely to have the characteristics identified in the 2016 Suitability Guidance Letter because of their larger size and our proposal to raise the minimum market capitalisation requirement to HK\$500 million.

Comments received

122. 61% of the respondents supported the proposal and 17% opposed it. The remaining 22% did not indicate a view.
123. We note that 98% of the respondents who supported this proposal also supported the same proposal for GEM (see paragraph 67). Their views on both proposals were similar as they believed that an increase in the post-IPO lock up period would increase investors’ confidence and would be an effective measure to control potential shell companies.
124. On the other hand, some respondents had the alternate position and stated that as the shell issue is more prevalent on GEM than the Main Board and together with the proposal to increase the minimum market capitalisation to HK\$500 million, Main Board listing applicants are less likely to have characteristics identified in HKEX-GL68-13A because of their larger size. Therefore it would not be necessary to impose a longer lock up requirement on them. Others stated that this proposal would result in Main Board’s lock up requirement being more stringent than most Selected Overseas Main Markets and therefore would have a negative impact on the attractiveness on the Main Board.

Our responses and conclusion

125. We agree with the respondents' views that the prevalence of shell activities is more pronounced in GEM than in the Main Board. We also note that only SSE imposes a comparable 36-month post-IPO lock up period, while the other Selected Overseas Main Markets adopt a less stringent approach.
126. Given we will adopt the proposal to increase the Main Board's minimal market capitalisation requirement to HK\$500 million, we agree with the respondents' feedback that it should not be necessary to adopt the longer lock-up proposal while investors' confidence would still be maintained. We will retain the current requirement that the controlling shareholders of Main Board issuers (a) cannot dispose of any of their equity interest in a Main Board issuer within the six months of listing; and (b) cannot dispose of any interest in the next six months that would result in them no longer being a controlling shareholder as defined under Main Board Listing Rule 1.01.

127. Question 16: Do you agree that the proposals for the Main Board should be considered independently irrespective of the outcome of the proposals for GEM?
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Comments received

128. 48% of the respondents supported the proposal and 29% opposed. The remaining 23% did not indicate a view.
129. Some respondents believed that as the Main Board's eligibility requirements have not been the subject of public consultation since 2002 and given the evolving market nature and the changes in the market landscape for the past 15 years, the proposals should be considered independently. One respondent stated that it is important to improve the listing platform for larger companies (i.e. Main Board) to meet the global market demand, and the growth and position of Main Board are different from GEM. Another respondent noted that the proposed changes to the Main Board were benchmarked against the Selected Overseas Main Markets and not the GEM Listing Rules. Therefore, the outcome of the GEM proposals (which are aimed at re-positioning GEM as a stand-alone board) should not influence those for the Main Board.
130. A few respondents stated that the structure of the Hong Kong market (including the New Board) should be considered as a whole before making any detailed rule amendments. Others stated that the proposals for Main Board and GEM should be considered holistically as there is linkage between the two.

Our responses and conclusion

131. The proposals in the Consultation Paper for the Main Board are meant to preserve the status of the Main Board as a venue for larger companies while those for GEM are to address specific areas of concern seen in GEM issuers.
132. In view of the above, we have considered the proposals for the Main Board and respondents' feedback on each proposal independently irrespective of the outcome of the proposals for GEM.

CHAPTER 3: OTHER MATTERS

133. We have also received other valuable comments on various aspects of the GEM Listing Rules and Main Board Listing Rules from the respondents. We will take account of these comments in our future review of the Listing Rules.

134. The following matters were included in the Consultation Paper for information only.

Renaming the “Growth Enterprise Market” and 「創業板」

135. In light of the decision to re-position GEM as a stand-alone board and “Growth Enterprise Market” and 「創業板」 are no longer reflective of the type of applicants seeking to list on GEM, the names “Growth Enterprise Market” and 「創業板」 will be changed to “GEM”.

136. The description of GEM issuers as “emerging” companies under the current GEM Listing Rules 2.12 and 2.20 will be amended to better reflect the current nature of GEM issuers.

137. Corresponding changes have also been made to other parts of the GEM Listing Rules to reflect the new name.

Unwinding the Delegated Authority

138. The proposed unwinding of the authority to approve GEM listing applications from the Listing Division to the Listing Committee will be implemented at a later date following the outcome of the proposed consultation on the system for decisions of the Listing Committee in 2018⁸ or such earlier date as we consider appropriate.

The Delisting Mechanism

139. We published on 22 September 2017 the Consultation Paper on Delisting and other Rule Amendments with proposals to improve the effectiveness of our delisting framework under the Main Board and GEM Rules. Any reforms to the delisting mechanism of the Main Board and GEM will be announced after analysing market’s feedback to this consultation paper.

The New Board Concept Paper Consultation Conclusions

140. The Exchange published separately today the Consultation Conclusions to the New Board Concept Paper. The conclusions in this paper and the conclusions to the New Board Concept Paper are independent of each other. In this paper the Exchange has reviewed and will amend certain eligibility requirements for GEM and the Main Board to (i) address concerns on the quality and performance of GEM applicants and issuers; and (ii) to preserve the Main Board’s position as a market for larger companies. The consultation conclusions to the New Board Concept Paper broaden current capital markets access in Hong Kong by opening up to more diverse range of issuers. The Exchange considered the responses to these proposals holistically in order to reach a balanced conclusion on the most appropriate listing framework for Hong Kong.

⁸ Please refer to paragraphs 17 and 92 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.

Chief Executive of HKEX will attend Listing Committee on policy matters only

141. In view of the joint consultation conclusions on proposed enhancements to SEHK's decision-making and governance structure for listing regulations published by the SFC and SEHK on 15 September 2017, we have also included relevant rule changes to reflect that the Chief Executive of HKEX will not attend Listing Committee meetings on individual cases.

CHAPTER 4: IMPLEMENTATION AND TRANSITIONAL ARRANGEMENTS

142. For new listing applicants that submit their applications for listing on either the Main Board or GEM before the Rule Amendment Effective Date, the listing qualifications and requirements under the Listing Rules in force as at the date of this paper shall apply. Any such applications as at the Rule Amendment Effective Date are only permitted one renewal of such applications thereafter. New listing applications received on or after the Rule Amendment Effective Date will be subject to the amended Listing Rules set out in Appendices III and IV.
143. All GEM Transfer applications that are submitted before the Rule Amendment Effective Date and have not lapsed, been rejected or returned as at the Rule Amendment Effective Date will continue to be processed under the GEM Streamlined Process and their eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force as at the date of this paper. Any such GEM Transfer applications as at the Rule Amendment Effective Date are only permitted one renewal of such applications thereafter.
144. All GEM Transfer applications submitted by Eligible Issuers during the Transitional Period will have their eligibility for the Main Board assessed in accordance with the Main Board Listing Rules in force as at the date of this paper and subject to the following requirements:
- (a) applicants that have changed their principal businesses and/or controlling shareholders since listing on GEM will be required to appoint a sponsor to conduct due diligence and publish a listing document as a new listing applicant to the Main Board; or
 - (b) applicants that did not change their principal businesses and controlling shareholders since listing on GEM will only need to prepare a GEM Transfer announcement in connection with its GEM Transfer. Such applicants are required to appoint a sponsor to conduct due diligence in respect of their activities during the most recent full financial year and up to the date of the GEM Transfer announcement to ensure that the information in the GEM Transfer announcement is accurate, complete and not misleading.
145. GEM Transfer applications that do not fall under paragraphs 143 and 144 above will be subject to the amended Main Board Listing Rules set out in Appendix IV.

146. Table 2 below is a summary of the transitional arrangements:

Table 2: Transitional arrangements

	Before the Rule Amendment Effective Date	Transitional Period (Three years from the Rule Amendment Effective Date)	After the end of the Transitional Period
GEM Transfer applications from Eligible Issuers	GEM Transfer applications ^{Note 1} will be: <ul style="list-style-type: none"> - processed under the GEM Streamlined Process; and - eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force as at the date of this paper 	GEM Transfer applications will be: <ul style="list-style-type: none"> - processed under the transitional arrangements set out in paragraph 144 above; and - eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force as at the date of this paper 	All GEM Transfer applications will be processed under the <u>amended</u> Main Board Listing Rules
GEM listing applicants	Applications ^{Note 1} will be processed under GEM Listing Rules in force as at the date of this paper	Applications will be processed under <u>amended</u> GEM Listing Rules and any subsequent GEM Transfer applications will be processed under the <u>amended</u> Main Board Listing Rules	
Main Board listing applicants	Applications ^{Note 1} will be processed under Main Board Listing Rules in force as at the date of this paper	Applications will be processed under <u>amended</u> Main Board Listing Rules	

Note 1: All listing or GEM Transfer applications submitted before the Rule Amendment Effective Date and had not lapsed, been rejected or returned as of the Rule Amendment Effective Date, with only one renewal of such listing or transfer application, as the case may be, permitted after the Rule Amendment Effective Date.

147. For GEM Transfer applications in paragraph 144(b):

- (a) The GEM Transfer announcement should provide investors with a concise update of the issuer's affairs during the most recent full financial year and up to the date of the GEM Transfer announcement as required in Appendix 28 to the amended Main Board Listing Rules.
- (b) Sponsors are required to conduct due diligence in respect of the applicants' activities during the most recent full financial year and up to the date of the GEM Transfer announcement.

- (c) Due diligence must be conducted in accordance with the standards expected of sponsors under paragraph 17 of the SFC's Code of Conduct and the principles set out in paragraph 2 of Practice Note 21 to the Main Board Listing Rules (for this purpose reference to listing document in paragraph 2 of Practice Note 21 to the Main Board Listing Rules shall be substituted with reference to the GEM Transfer announcement).
- (d) Sponsors are also expected to be closely involved in the preparation of the GEM Transfer announcement. As the applicants are not required to publish a listing document in connection with its GEM Transfer application, provisions of paragraph 17 of the SFC's Code of Conduct referring to the preparation of a listing document, application proof, the contents of a listing document and an expert report will not apply. SFC has published additional guidance in the form of "Frequently Asked Questions" on this matter. This can be found in <http://www.sfc.hk/web/EN/faqs/listings-and-takeovers/>

- 148. The rule amendments have been finalised and approved by the Board of SEHK and the Board of the SFC. The Rules amendments will become effective on 15 February 2018.
- 149. Potential GEM Transfer Applicants are reminded to comply with the requirement to formally appoint a sponsor at least two months before the submission of their listing application for the Main Board once the rule amendments take effect.
- 150. The finalised English and Chinese rule amendments are available separately on HKEX's website.

APPENDIX I SUMMARY OF CONCLUSIONS ON PROPOSALS

No.	Particulars	Proposals	Recommendation	Proposed Rules Reference ⁹
1	Transfer mechanism	A sponsor must be appointed and a listing document must be published	Adopt	MB R3A.02
2	Admission requirements for GEM Transfers to the Main Board	Must have published at least two full financial years of financial statements after GEM listing and no disciplinary investigations for serious or potentially serious breaches 24 months before transfer	Not Adopt	N/A
3	Track record requirement	Retain the current requirement (i.e. two financial years)	Adopt	N/A
4	Ability to meet Main Board admission requirements	Retain the current practice of <u>not</u> requiring a GEM applicant that can meet the Main Board admission requirements to list on the Main Board instead of GEM	Adopt	N/A
5	Cashflow Requirement	Increase to HK\$30 million	Adopt	GR11.12A GR11.14(3)
6	Minimum market capitalisation at the time of listing	Increase to HK\$150 million	Adopt	GR11.23(6)
7	Post-IPO Lock-up period on controlling shareholders	Controlling shareholders are restricted from selling their equity interests for the first 12 months upon listing. For the next 12 months, they are permitted to sell but must retain control	Adopt	GR13.16A
8	Offering Structure	Mandatory public offering of at least 10% of the total offer size	Adopt	GR10.11A
9a	Placing to selected individuals	Align with Main Board Rules where waiver/ consent of the Exchange are required	Adopt	GR10.12(1A)
9b	Offering mechanism	The allocation of offer shares between the public and placing tranches and the clawback mechanism in line with Practice Note 18 to the Main Board Rules	Adopt	Practice Note 6 to GR
10	Minimum public float value at the time of listing	Increase to HK\$45 million	Adopt	GR11.23(2) GR11.23(9)

⁹ See Appendices III and IV.

No.	Particulars	Proposals	Recommendation	Proposed Rules Reference⁹
11	Profit Test	Retain the use of Profit Requirement to determine eligibility for Main Board Listing	Adopt	N/A
12	Level of profit under the Profit Test	Retain the current level of profit under the Profit Requirement	Adopt	N/A
13	Minimum market capitalisation at listing	Increase to HK\$500 million	Adopt	MBR8.09(2)
14	Minimum public float value at listing	Increase to HK\$125 million	Adopt	MBR8.08(1)(b) MBR8.09(1)
15	Post-IPO Lock-up period on controlling shareholders	Controlling shareholders restricted from selling shares for the first year upon listing. For the next 12 months, controlling shareholder permitted to sell shares but must retain control	Not Adopt	N/A
16	Independence from GEM reform	The proposals for Main Board should be considered independently irrespective of the outcome of the proposals of GEM	Adopt	N/A

APPENDIX II SUMMARY RESULT OF QUANTITATIVE ANALYSIS

Proposals in the Consultation Paper	Feedback		
	Support	Against	No View ¹⁰
1. Re-position GEM as a stand-alone board	50%	41%	9%
2. Require all GEM Transfer applicants to have (a) published and distributed at least two full financial years of financial statements after their GEM listings; and (b) not been subject to any disciplinary investigations by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules for 24 months	59%	21%	20%
3. Retain the current two-year track record requirement under the GEM Listing Rules	76%	1%	23%
4. Retain the current practice of <u>not</u> requiring a GEM applicant that can meet the Main Board admission requirements to list on the Main Board	66%	11%	23%
5. Increase the Cashflow Requirement from HK\$20 million to HK\$30 million	52%	24%	24%
6. Increase GEM's minimum market capitalisation requirement from HK\$100 million to HK\$150 million	60%	19%	21%
7. Increase GEM's post-IPO lock-up requirement on controlling shareholders from one to two years	71%	11%	18%
8. Introduce a mandatory public offering mechanism of at least 10% of the total offer size for all GEM IPOs	73%	8%	19%
9a. Align the GEM Rules on placing to connected persons/ connected clients with those under the Main Board Rules	71%	3%	26%
9b. Align the GEM Rules on allocation between public and placing tranches and clawback mechanism with those under the Main Board Rules	68%	4%	28%
10. Increase GEM's minimum public float value of securities from HK\$30 million to HK\$45 million	59%	20%	21%
11. Retain the use of the Profit Requirement under the Main Board Rules	72%	4%	24%
12. Retain the current level of profit under the Profit Requirement	56%	13%	31%
13. Increase Main Board's minimum market capitalisation requirement from HK\$200 million to HK\$500 million	50%	30%	20%

¹⁰ Respondents that did not indicate a view on the specific proposals.

Proposals in the Consultation Paper	Feedback		
	Support	Against	No View ¹¹
14. Proportionately increase Main Board's minimum public float value of securities from HK\$50 million to HK\$125 million	48%	31%	21%
15. Increase Main Board's post-IPO lock-up requirement on controlling shareholders from one to two years	61%	17%	22%
16. Consider the proposals for the Main Board and GEM independently	48%	29%	23%

¹¹ Respondents that did not indicate a view on specific proposals

APPENDIX III AMENDMENTS TO GEM LISTING RULES

Chapter 1

GENERAL

INTERPRETATION

1.01 Throughout these Rules, the following terms, except where the context otherwise requires, have the following meanings:

...

“GEM” ~~the Growth Enterprise Market~~ GEM operated by the Exchange

...

Chapter 2

GENERAL

INTRODUCTION

...

Characteristics of GEM

2.12 GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the ~~Exchange~~ Main Board. Appropriate warning and disclosure in this regard is required to be made by all issuers in their listing documents and circulars and without prejudice to the generality of this rule, reference is made to the provisions of rule 2.20.

- Notes:
1. *The qualifications for listing on GEM do not include any obligation to forecast future profitability.*
 2. *Given that the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*
 3. *~~The greater risk profile, and other characteristics, of GEM mean that it is a market more suited to professional and other sophisticated investors.~~ [Repealed [insert date]]*

...

Responsibility and confirmation

- 2.18 Any listing document, circular or announcement issued by an issuer pursuant to the GEM Listing Rules is required to contain a statement of responsibility and confirmation on the part of the directors of the issuer in the following form:—

“This [document], for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this [document] is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.”

...

Disclaimer and GEM characteristics statements

...

- 2.20 Any listing document or circular and every annual report and accounts (including, where applicable, a summary financial report), half-year (including, where applicable, a summary half-year report) and quarterly report issued by an issuer pursuant to the GEM Listing Rules (excluding any Explanatory Statement issued pursuant to rule 13.08) must contain, at a prominent position in the document, and in bold type, a statement in the following terms concerning the characteristics of GEM:—

“Characteristics of ~~The Growth Enterprise Market~~ (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. ~~The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.~~

Given ~~that the emerging nature of~~ companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. ”

...

Chapter 3

GENERAL

COMPOSITION, POWERS, FUNCTIONS AND PROCEDURES OF THE GEM LISTING COMMITTEE, THE LISTING APPEALS COMMITTEE AND THE ~~GEM~~-LISTING DIVISION

...

3.05A The GEM Listing Committee has delegated to the Executive Director – Listing Division the power to approve any application for listing of debt securities under Chapter 30 (debt issues to professional investors only).

Listed issuers

3.06 Applications for ~~the listing of equity securities~~ by a listed issuer will be dealt with by the Listing Division and it is the Executive Director – Listing Division who will normally approve the listing and issue the formal approval letter, in due course. However, the GEM Listing Committee may determine the matter in the first instance at the request of the Listing Division where it considers it appropriate to do so. ~~Applications for the listing of debt securities by a listed issuer shall be dealt with in the same manner as applications by new applicants as set out in rule 3.05.~~

...

Composition of the GEM Listing Committee

3.18 Subject to casual vacancies from time to time the GEM Listing Committee shall consist of 28 members or such greater number of members as the Board may from time to time agree, comprising:—

...

(3) the Chief Executive of HKEC acting as ex officio non-voting member.

...

Conduct of meetings of the GEM Listing Committee

3.29 The GEM Listing Committee shall meet for the despatch of business, adjourn and otherwise regulate its meetings in accordance with the provisions of the rules made by the Board for this purpose, including rules governing members' conflicts of interest, subject to the provisions of this rule. The quorum necessary for the transaction of any business by the GEM Listing Committee shall be 5 members present in person. The Chief Executive of HKEC ~~may be counted in the quorum for a meeting of the GEM Listing Committee (including a meeting at which the GEM Listing Committee is determining a matter in the first instance) except that he shall not be counted in the quorum for any meeting at which a decision of the Listing Division or the GEM Listing Committee is under~~ will not attend meetings of the GEM Listing Committee at which the GEM Listing Committee is determining a matter in the first instance or on review pursuant to any disciplinary proceedings. ~~The Chief Executive of HKEC may attend meetings of the GEM Listing Committee convened for such purpose and put forward his views (if any) on the matter under review pursuant to any disciplinary proceedings but he shall not thereafter be entitled to participate in the deliberations of the GEM Listing Committee or to vote on such matters.~~ At any meeting held to review an earlier decision of the GEM Listing Committee pursuant to any disciplinary proceedings, all of the members present at the second meeting must be persons who were not present at the first meeting.

...

Chapter 4

GENERAL

REVIEW PROCEDURE

General

...

Conduct of review hearing

4.11 ...

- (3) ~~The Chief Executive of HKEC may only be counted in the quorum for a meeting of the GEM Listing Committee at which the GEM Listing Committee is determining a matter in the first instance. He shall not be counted in the quorum for will not attend meetings of the GEM Listing Committee at which the GEM Listing Committee is determining a matter in the first instance or attend review hearings of the GEM Listing Committee or the GEM Listing (Review) Committee at which a decision of the GEM Listing Committee is under review. The Chief Executive of HKEC may attend meetings of the GEM Listing (Review) Committee convened for such purpose and put forward his views (if any) on the matter under review but he shall not thereafter be entitled to participate in the deliberations of the GEM Listing (Review) Committee or to vote on such matters.~~

...

- (7) (a) At a GEM Listing Committee or Listing Appeals Committee hearing, the directors of the new applicant have the right to attend the hearing, to make submissions and to be accompanied by one representative of each of the Sponsor, the Compliance Adviser, authorised representatives, proposed or otherwise, the financial adviser, the legal adviser and auditors of the new applicant ~~or~~; a Sponsor, Compliance Adviser or authorised representative may be accompanied by its/ his legal adviser.

...

Role of the Secretary

4.12 ...

- (2) Any notices, notifications and all other documents required to be submitted to the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee must be served upon the Secretary who will ensure that copies are provided to the other parties and members of the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee, as appropriate.

...

Chapter 9

GENERAL

TRADING HALT, SUSPENSION AND RESUMPTION OF DEALINGS, CANCELLATION AND WITHDRAWAL OF LISTING

...

- 9.26 As soon as reasonably practicable and in any event by the same day ~~when an application~~ the documents described under Main Board Listing Rule 9A.06 are ~~is~~ submitted to the Exchange for a transfer of listing from GEM to the Main Board, the issuer shall announce the relevant facts to inform the market.

~~Note: Issuers are reminded of Main Board rule 9A.08 which requires a more detailed announcement to be made when they have received the Exchange's formal approval for the transfer.~~

...

Chapter 10

EQUITY SECURITIES METHODS OF LISTING

...

Placing

10.11 ...

10.11A A listing by a new applicant must include an offering to the public of not less than 10% of all securities offered.

10.12 A placing by or on behalf of a new applicant or by or on behalf of a listed issuer of securities of a class new to listing must be supported by a listing document which must comply with the relevant requirements of Chapter 14 and such a placing must comply with the following specific requirements:—

~~(1) No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Exchange.~~ [Repealed [insert date]]

(1A) No allocations to the following persons will be permitted without the prior written consent of the Exchange:

(a) “connected clients” of the lead broker or of any distributors as defined in Note 2 of rule 10.12(4);

(b) directors or existing shareholders of the new applicant or the listed issuer, as the case may be, or their close associates, whether in their own names or through nominees unless the condition in rule 13.02(1) is fulfilled; or

(c) nominee companies unless the name of the ultimate beneficiary of the

securities is disclosed.

- (2) ...
- (3) ~~In relation to any initial public offering to be effected by way of a placing or which includes a placing tranche, the listing document issued in connection therewith must state details of any arrangements to allocate securities to any place on a preferential basis, as referred to in rule 13.02. The Exchange reserves the right to reject any such proposed arrangements. [Repealed *[insert date]*]~~
- (4) ...
- (5) Dealings in the securities cannot commence until the Exchange has been supplied with and approved a list setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and business registration numbers (where companies) of all placees, the names and addresses of the beneficial owners of the securities (in the case of nominee companies) and the amounts taken up by each placee. The Exchange reserves the right to require submission of such further information (on an electronic spreadsheet or such other format as it may request) on the placees as it may consider necessary for the purpose of establishing their independence, including without limitation details of beneficial ownership.

...

- 10.14 Placings by a listed issuer made in either of the circumstances set out in rule 10.13 are required to comply with the requirements of rule 10.12 (excluding sub-paragraphs (2), ~~(3)~~, (6) and (7) in the case of a placing of securities of a class already listed).

...

Chapter 11

EQUITY SECURITIES

QUALIFICATIONS FOR LISTING

...

Additional conditions applicable to new applicants

Accountants' report

...

- 11.12A (1) A new applicant or its group (excluding any associated companies, joint ventures and other entities whose results are recorded in the issuer's financial statements using the equity method of accounting or proportionate consolidation) must have an adequate trading record of at least two financial years comprising a positive cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid. Such positive cash flow from operating activities carried out by the new applicant, or its group, that are to be listed, must be of at least ~~HK\$20,000,000~~ HK\$30,000,000 in aggregate for the two financial years

immediately preceding the issue of the listing document.

...

11.14 The Exchange may accept a trading record period of less than two financial years for the purposes of rule 11.12A ...

...

(3) in exceptional circumstances under which the Exchange considers it desirable to accept a shorter period.

Note: Where the Exchange accepts a trading record of less than two financial years, the applicant must nevertheless still meet the cash flow requirement of ~~HK\$20 million~~ HK\$30 million for that shorter trading record period.

...

Conditions relevant to the securities for which listing is sought

11.23 There must be an open market in the securities for which listing is sought. This will normally mean that:—

(1) [Repealed 1 July 2008]

(2) with regard to all equity securities for which a listing is sought, except those specified in sub-paragraphs (3) and (4):—

(a) the market capitalisation of such equity securities (determined as at the time of listing) in the hands of the public must be at least ~~HK\$30,000,000~~ HK\$45,000,000; and

(b) there must, as at the time of listing, be an adequate spread of holders of such securities. The number will depend on the size and nature of the issue but, as a guideline, the equity securities in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose equity securities are held through CCASS);

...

(6) the expected total market capitalisation of a new applicant at the time of listing must be at least ~~HK\$100,000,000~~ HK\$150,000,000 which shall be calculated on the basis of all issued shares (including the class of securities for which listing is sought and such other class(es) of securities, if any, that are either unlisted or listed on other regulated market(s)) of the new applicant at the time of listing;

...

(9) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's

total number of issued shares, having an expected market capitalisation at the time of listing of not less than ~~HK\$30,000,000~~ HK\$45,000,000;

...

Chapter 12

EQUITY SECURITIES

APPLICATION PROCEDURES AND REQUIREMENTS

...

12.26 As soon as practicable after the issue of the listing document but before dealings commence, the following documents must be lodged with the Exchange in respect of a new applicant as a condition for granting listing approval:—

...

(6) in the case of a placing of securities by a new applicant:—

...

(b) a list from each placing broker setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and business registration numbers (where companies) of all its placees, the names and addresses of the beneficial owners of the securities (in the case of nominee companies) and the amounts taken up by each of its placees. ~~Such lists may be supplied directly to the Exchange by each placing broker in order to maintain confidentiality;~~

...

Chapter 13

EQUITY SECURITIES

RESTRICTIONS ON PURCHASE, DISPOSAL AND SUBSCRIPTION

Restrictions on preferential treatment

13.01 With regard to all securities offered for subscription or sale to the public whether by a new applicant or a listed issuer, ~~(excluding, for the avoidance of doubt, securities subject to placing arrangements)~~ no preferential terms or treatment may be afforded to any person subscribing or applying for the securities, whether as to price, the basis of allocation of securities or otherwise.

13.02 ~~With regard to any securities proposed to be placed by a new applicant:—~~

~~(1) no preferential terms or treatment as to price or otherwise may be afforded to any place (but not to others), save that with adequate disclosure in the listing document, preferential treatment may be given to placees in respect of the allocation of securities. For the purposes of this rule, the disclosure to be made in the listing document issued in connection with the placing must include details of existing shareholders or directors and their respective close associates (each identified on an individually named basis) to whom it is proposed to place shares,~~

~~indicating, in each case, the number and/ or proportion of shares to be so placed. The Exchange reserves the right to reject any such proposed arrangements. Directors of the issuer and their close associates, and a person who is an existing shareholder of the issuer, may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant, whether in their own names or through nominees, if the following conditions are met:—~~

- ~~(a) that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and~~
 - ~~(b) that the minimum prescribed percentages of public shareholders required by rules 11.23(7) and 11.23(9) are achieved.~~
- (2) ~~Normally no more than 10% per cent of any securities being marketed for which listing is sought may be offered to employees or past employees of the new applicant or its subsidiaries or associated companies and their respective dependents or any trust, provident fund or pension scheme for the benefit of such persons on a preferential basis ...~~

...

Restrictions on disposal of shares following the listing of a new applicant

...

- 13.16A (1) A person or group of persons shown by the listing document issued at the time of the issuer's application for listing to be controlling shareholders of the issuer shall not and shall procure that the relevant registered holder(s) shall not:—
- (a) in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is 612 months from the date on which dealings in the securities of a new applicant commence on the Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s); or
 - (b) in the period of 612 months commencing on the date on which the period referred to in rule 13.16A(1)(a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in rule 13.16A(1)(a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder.

...

- 13.22 In this rule "multiple applications" means circumstances where more than one application is made by the same person; ~~or where a person applies for more than 100% per cent of the securities on offer to the public for subscription (and excluding any shares available for placing). Where an offer contains both a placing and a public subscription tranche, the shares available to the public for subscription are the initial allocation of shares in the public subscription tranche prior to any transfer between the placing tranche and public subscription tranche. or where a person applies for more~~

than 100% of the shares available in any pool into which the securities on offer are divided in accordance with Practice Note 6. For the purpose of these rules, the shares available in any pool is the initial allocation of shares into the pool prior to the operation of any clawback mechanism required by Practice Note 6.

...

Chapter 18A

EQUITY SECURITIES

MINERAL COMPANIES

...

CONDITIONS FOR LISTING OF NEW APPLICANT MINERAL COMPANIES

18A.04 ...

Note 1: Where the Exchange accepts a trading record of less than two financial years, a new applicant must still meet the cash flow requirement of ~~HK\$20 million~~ HK\$30 million for that shorter trading record period, in accordance with ~~Rule~~ 11.14.

...

Chapter 30

DEBT SECURITIES

DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

...

Listing Approval

30.02 A listing application may be approved by:

...

(c) The GEM Listing Committee.

...

30.20 A listing document must contain the following statement:

“Characteristics of ~~The Growth Enterprise Market (GEM)~~ of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and

careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the emerging nature of companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.”

...

Chapter 35

DEBT SECURITIES

...

35.14

“This document, for which the [issuer]/ [directors of the issuer collectively and individually] accept[s] full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on ~~The Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. Subject as set out below, the [issuer]/ [directors], having made all reasonable enquiries, confirm[s] that to the best of [its]/ [their] knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading...”

...

Practice Note 1

to the Rules Governing the Listing of Securities
on ~~the Growth Enterprise Market~~ GEM of
The Stock Exchange of Hong Kong Limited
(the “GEM Listing Rules”)

...

Practice Note 2

to the Rules Governing the Listing of Securities
on ~~the Growth Enterprise Market~~ GEM of
The Stock Exchange of Hong Kong Limited
(the “GEM Listing Rules”)

...

Practice Note 3

to the Rules Governing the Listing of Securities
on ~~the Growth Enterprise Market~~ GEM of
The Stock Exchange of Hong Kong Limited

(the “GEM Listing Rules”)

...

Practice Note 4

to the Rules Governing the Listing of Securities
on ~~the Growth Enterprise Market~~ GEM of
The Stock Exchange of Hong Kong Limited
(the “GEM Listing Rules”)

...

Practice Note 5

to the Rules Governing the Listing of Securities
on ~~the Growth Enterprise Market~~ GEM of
The Stock Exchange of Hong Kong Limited
(the “GEM Listing Rules”)

Practice Note 6

to the Rules Governing the Listing of Securities
on GEM of The Stock Exchange of Hong Kong Limited
(the “GEM Listing Rules”)

Issued pursuant to rule 1.07 of the GEM Listing Rules

Initial Public Offer of Securities

Definitions

1. Terms used in this Practice Notice which are defined or interpreted in the GEM Listing Rules shall have the same meaning as the GEM Listing Rules.

Introduction

2. This practice note sets out certain procedures to be adopted in the allocation of shares in initial public offerings.

Allocation of shares

3. The total number of securities available for public subscription (taking account of any clawback feature in the case of issues which involve both placement and public subscription tranches) are to be divided equally into pools: pool A and pool B. The securities in pool A should be allocated on an equitable basis to applicants who have applied for securities in the value of HK\$5 million or less. The securities in pool B should be allocated on an equitable basis to applicants who have applied for securities in the value of more than HK\$5 million and up to the value of pool B. Where one of the pools is undersubscribed, the surplus securities should be transferred to satisfy demand in the other pool and be allocated accordingly. No applications should be accepted from investors applying for more than the total number of shares originally allocated to each pool. Multiple applications within either pool or between pools should be rejected.

Offers involving a subscription tranche

4. Where an IPO includes both a placing and a public subscription tranche, the minimum allocation of shares to the subscription tranche shall be as follows:
- an initial allocation of not less than 10% of the shares offered in the IPO;
 - a clawback mechanism that increases the number of shares to 30% when the total demand for shares in the subscription tranche is 15 times but less than 50 times the initial allocation;
 - a clawback mechanism that increases the number of shares to 40% when the total demand for shares in the subscription tranche is 50 times but less than 100 times the initial allocation; and
 - a clawback mechanism that increases the number of shares to 50% when the total demand for shares in the subscription tranche 100 times or more of the initial allocation.

Shares may be transferred from the subscription tranche to the placing tranche where there is insufficient demand in the subscription tranche to take up the initial allocation.

5. Where the issuer has granted the underwriters an over-allotment option this may be divided between the public subscription tranche and placing tranche at the discretion of the underwriters. Underwriters should restrict the extent of any over-allocation of shares to the limit provided under the over-allotment option.
6. Before trading in the shares commences, issuers should disclose the level of indications of interest for shares in the placing tranche. This may be provided in either a numerical form or by way of a qualitative description.
7. Investors are free to select whether to apply in the placing tranche or the subscription tranche. Where the placing tranche and the subscription tranche are completed simultaneously an investor may submit an application in one of the pools in the subscription tranche and indicate an interest for shares in the placing tranche. An investor may only receive shares in the placing tranche or the subscription tranche. Any investors which have not received shares in the placing tranche may receive shares from the subscription tranche.
8. Issuers should reject multiple applications within either pool or between pools. Issuers, their directors, sponsors and underwriters are required to take reasonable steps to identify and reject applications in the subscription tranche from investors that received shares in the placing tranche, and to identify and reject indications of interest in the placing tranche from investors that received shares in the subscription tranche. Investors which have not received shares in the subscription tranche may receive shares in the placing tranche.

Disclosure

9. Sponsors should ensure that details of these procedures are included in prospectuses.

...

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part A

Equity Securities

In the case where listing is sought for equity securities of an issuer no part of whose share capital is already listed

General information about the issuer, its advisers and the listing document

...

2. A statement as follows:—

“This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.” *(Note 1)*

...

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part B

Equity Securities

In the case where listing is sought for equity securities of an issuer some part of whose share capital is already listed

General information about the issuer, its advisers and the listing document

...

2 A statement as follows:—

“This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.” *(Note 1)*

...

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part C

Debt Securities

In the case where listing is sought for debt securities

General information about the issuer, its advisers and the listing document

...

2. A statement as follows:—

“This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market GEM~~ of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.” *(Note 1)*

...

Appendix 5

FORMS RELATING TO LISTING

FORM A

**Application Form – Equity securities
(of an issuer no part of whose share capital is already listed)**

...

Dear Sirs,

1. We,[Limited] (in English).....(in Chinese) (the “Issuer”), and[Limited] (in English)..... (in Chinese) (the “Sponsor”) hereby apply for the listing of and for the permission to deal in the securities referred to in paragraph 6(b) below, subject to the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market GEM~~ of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

...

Appendix 5

FORMS RELATING TO LISTING

FORM B

**Application Form – Equity securities
(of an issuer part of whose share capital is already listed)**

...

Dear Sirs,

1. We,[Limited] (in English) (in Chinese) (the “Issuer”) hereby apply for the listing of and for the permission to deal in the securities referred to in paragraph 4(b) below subject to the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

...

Appendix 5

FORMS RELATING TO LISTING

FORM C

Application Form – Debt securities

...

Dear Sirs,

1. We,[Limited] (in English)(in Chinese) (the “Issuer”), hereby apply for the listing of and for the permission to deal in the securities referred to in paragraph 5 below subject to the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). *(Note 1)*

...

Appendix 5

FORMS RELATING TO LISTING

FORM D

Marketing statement (concerning a placing of equity securities)

...

Rule 10.12 of the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The ~~Hong Kong~~ Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and the Notes accompanying this form should be read before completing this statement.

...

Appendix 5

FORMS RELATING TO LISTING

FORM E

Declaration of compliance

...

2. that all pre-conditions for listing imposed by Chapter 11 and/ or Chapter 27 or Chapter 30 of the “Rules Governing the Listing of Securities of ~~on the Growth Enterprise Market~~ GEM of The ~~Hong Kong~~ Stock Exchange of Hong Kong Limited” have, insofar as applicable, been fulfilled in relation to the Issuer and the securities of the Issuer referred to in paragraph 1 above;

...

Appendix 5

FORMS RELATING TO LISTING

FORM F

~~The Growth Enterprise Market (GEM) Company Information Sheet~~

...

This information sheet contains certain particulars concerning the above company (the “Company”) which is listed on ~~the Growth Enterprise Market (“GEM”)~~ of ~~the~~ The Stock Exchange of Hong Kong Limited (the “Exchange”). These particulars are provided for the purpose of giving information to the public with regard to the Company in compliance with the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). They will be displayed at the GEM website on the ~~internet~~. This information sheet does not purport to be a complete summary of information relevant to the Company and/ or its securities.

...

Appendix 6

附錄六

DIRECTOR’S AND SUPERVISOR’S FORMS

董事及監事的表格

Form A

A 表格

Director’s Declaration, Undertaking and Acknowledgement

董事的聲明、承諾及確認

Part 1

第一部分

DECLARATION

聲明

...

2. The relevant document that sets out my personal details in the manner described in paragraph 41 of Appendix 1A or rule 17.50(2), as the case may be, of the Rules Governing the Listing of Securities on the ~~Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited from time to time in force (the “GEM Listing Rules”) is:

按不時生效的《香港聯合交易所有限公司創業板GEM證券上市規則》(《創業板GEM上市規則》)附錄一 A 第 41 段或第 17.50(2)條所述方式(視屬何情況而定)載有本人的個人資料的有關文件為：

...

In the case of listed issuer:

如屬上市發行人：

- ...
發行人按《創業板GEM上市規則》第 17.50(2)條的規定，就委任本人為發行人董事的公告。
公告日期為 _____ 年 _____ 月 _____ 日。

...

Part 2

第二部分

UNDERTAKING AND ACKNOWLEDGEMENT

承諾及確認

...

- (a) ...
- (i) comply to the best of my ability with the Rules Governing the Listing of Securities on the ~~Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited from time to time in force (the “GEM Listing Rules”);
盡力遵守不時生效的《香港聯合交易所有限公司創業板GEM證券上市規則》(《創業板GEM上市規則》);
- (ii) ...
盡力促使發行人遵守《創業板GEM上市規則》; 及
- (iii) ...
盡力促使本人的任何替任人遵守《創業板GEM上市規則》;
- (b) ...
- (c) ...
- (i) ...
- (2) ...
本交易所可為核實是否有遵守《創業板GEM上市規則》事宜而合理地要求的任何

其他資料及文件或解釋；及

(ii) ...

在香港聯合交易所有限公司上市科 (按《創業板-GEM上市規則》第 1.01 條界定)及／或創業板-GEM上市委員會 (按《創業板-GEM上市規則》第 1.01 條界定)所進行的任何調查中給予合作，包括及時及坦白地答覆向本人提出的任何問題，及時地提供任何有關文件的正本或副本，並出席本人被要求出席的任何會議或聽證會；

...

(e) ...

本人茲授予上市科主管 (或獲其授權的任何人士) 不可撤回的權力，讓他將本人提供的上述資料向創業板-GEM上市委員會披露；並在香港聯合交易所有限公司主席或一位副主席批准的情況下，向上市科主管不時認為適當的其他人士披露；及

(f) ...

本人在此接受香港聯合交易所有限公司就有關《創業板-GEM上市規則》各方面的管轄。

...

Part 3 第三部分

...

SPONSOR'S CERTIFICATION

保薦人證明

...

我們.....，乃在〔日期〕為《創業板-GEM上市規則》第 6A.02 條所提及的目的而委任的發行人的保薦人，辦事處設於.....。我們茲證明，我們已閱讀.....〔填入董事的姓名〕在 A 表格第一部份(1)及(2)所作及所述任何文件內作出的回答，我們並不知悉任何資料，足以使一名合理的人士，就如此填報的資料的真實性、完整性及準確性作進一步的查詢。

...

Notes: (1) ...

附註：按規定須呈交本 A 表格的任何人士，若未能真實、完整及準確地填妥本 A 表格第一部分，或未能簽立本表格第二部分又或未能遵守該部分所作的任何承諾，均構成違反《創業板-GEM上市規則》。此外，凡提供本 A 表格所要求或所述資料的發行人董事均應注意，該等資料構成本意是為遵守「有關條文」(定義見香港法例第 571 章《證券及期貨條例》附表 1 第 1 部)....。

...

Appendix 6

附錄六

DIRECTOR'S AND SUPERVISOR'S FORMS

董事及監事的表格

Form B

B 表格

Director's Declaration, Undertaking and Acknowledgement (PRC Issuer)

董事的聲明、承諾及確認 (適用於中國發行人)

Part 1

第一部分

DECLARATION

聲明

...

2. The relevant document that sets out my personal details in the manner described in paragraph 41 of Appendix 1A or rule 17.50(2), as the case may be, of the Rules Governing the Listing of Securities on the ~~Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited from time to time in force (the "GEM Listing Rules") is:
按不時生效的《香港聯合交易所有限公司創業板 GEM 證券上市規則》(《創業板 GEM 上市規則》)附錄一 A 第 41 段或第 17.50(2)條所述方式(視屬何情況而定)載有本人的個人資料的有關文件為：

...

In the case of listed issuer:

如屬上市發行人：

...

發行人按《創業板 GEM 上市規則》第 17.50(2)條的規定，就委任本人為發行人董事的公告。公告日期為 _____ 年 _____ 月 _____ 日。

Part 2

第二部分

UNDERTAKING AND ACKNOWLEDGEMENT

承諾及確認

...

(a) ...

- (i) comply to the best of my ability with the Rules Governing the Listing of Securities on the ~~Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited from time to time in force (the "GEM Listing Rules"), and all applicable laws, rules,

regulations and normative statements from time to time in force in the PRC relating to the governing, operation, conduct or regulation of public companies in the PRC or elsewhere;

盡力遵守不時生效的《香港聯合交易所有限公司創業板—GEM 證券上市規則》(《創業板—GEM 上市規則》)·及不時生效的所有關於中國或其他地方的公眾公司的管轄、運作、行為或監管事宜的適用中國法律、規則、規例及規範聲明；

(ii) ...

(iii) ...
盡力促使發行人遵守《創業板—GEM 上市規則》；

...

(b) ...

(i) ...

(2) ...

本交易所可為核實是否有遵守《創業板—GEM 上市規則》事宜而合理地要求的任何其他資料及文件或解釋；及

(ii) ...

在香港聯合交易所有限公司上市科(按《創業板—GEM 上市規則》第 1.01 條界定)及／或創業板—GEM 上市委員會(按《創業板—GEM 上市規則》第 1.01 條界定)所進行的任何調查中給予合作·包括及時及坦白地答覆向本人提出的任何問題·及時地提供任何有關文件的正本或副本·並出席任何本人被要求出席的會議或聽證會；

(c) ...

本人茲授予上市科主管(或獲其授權的任何人士)不可撤回的權力·讓他將本人提供的上述資料向創業板—GEM 上市委員會委員披露；並在香港聯合交易所有限公司主席或一位副主席批准的情況下·向上市科主管不時認為適當的其他人士披露；

...

(e) ...

本人在此接受香港聯合交易所有限公司就有關《創業板—GEM 上市規則》各方面的管轄。

...

Part 3
第三部分

...

SPONSOR'S CERTIFICATION
保薦人證明

...

我們 _____，乃在[日期]為《創業板-GEM上市規則》第 6A.02 條所提及的目的而委任的發行人的保薦人，辦事處設於 _____。我們茲證明，我們已閱讀 _____ [填入董事的姓名]在 B 表格第一部份(1)及(2)所作及所述任何文件內作出的回答，我們並不知悉任何資料，足以使一名合理的人士，就如此填報的資料的真實性、完整性及準確性作進一步的查詢。

...

Notes: (1) ...

附註：按規定須呈交本 B 表格的任何人士，若未能真實、完整及準確地填妥本 B 表格第一部份，或未能簽立本 B 表格第二部分又或未能遵守該部分所作的任何承諾，均構成違反《創業板-GEM上市規則》。此外，凡提供本 B 表格所要求或所述資料的發行人董事均應注意，該等資料構成本意是為遵守「有關條文」（定義見香港法例第 571 章《證券及期貨條例》附表 1 第 1 部）...

...

Appendix 6

附錄六

DIRECTOR'S AND SUPERVISOR'S FORMS

董事及監事的表格

Form C

C 表格

Supervisor's declaration and undertaking and acknowledgement in respect of an issuer incorporated in the People's Republic of China ("PRC")

監事的聲明、承諾及確認

(適用於在中華人民共和國(「中國」)註冊成立的發行人)

Part 1

第一部分

DECLARATION

聲明

...

2. The relevant document that sets out my personal details in the manner described in paragraph 41 of Appendix 1A or rule 17.50(2), as the case may be, of the Rules Governing the Listing of Securities on the Growth Enterprise Market GEM of The Stock Exchange of Hong Kong Limited from time to time in force (the "GEM Listing Rules") is:

按不時生效的《香港聯合交易所有限公司創業板-GEM證券上市規則》(《創業板-GEM上市規

則》) 附錄一 A 第 41 段或第 17.50(2)條所述方式 (視屬何情況而定) 載有本人個人資料的有關文件：

...

In the case of listed issuer:

如屬上市發行人：

...

發行人按《~~創業板-GEM~~上市規則》第 17.50(2)條的規定，就委任本人為發行人監事的公告。公告日期為 _____ 年 _____ 月 _____ 日。

Part 2

第二部分

UNDERTAKING AND ACKNOWLEDGEMENT

承諾及確認

...

1. ...

(c) use my best endeavours to cause the issuer and its directors to comply with the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited from time to time in force (the “GEM Listing Rules”), the Code on Takeovers and Mergers, the Code on Share Buy-backs and all other relevant securities laws and regulations from time to time in force in Hong Kong;

盡力促使發行人及其董事遵守不時生效的《香港聯合交易所有限公司創業板-GEM 證券上市規則》(《~~創業板-GEM~~上市規則》)、《公司收購及合併守則》、《公司股份回購守則》及香港所有其他不時生效的有關證券的法例及規例；

...

(e) ...

盡力遵守下列條例及規則，猶如該條例適用於本人，程度上如同其適用於公司董事般：

(a) 《證券及期貨條例》第 XIVA 及 XV 部；(b) 《~~創業板-GEM~~上市規則》第 5.46 至 5.67 條有關董事進行證券交易的規定；(c) 《公司收購及合併守則》；(d) 《公司股份回購守則》；以及 (e) 香港所有其他不時生效的有關證券法例與規例；

...

(g) ...

本人茲授予上市科主管 (按《~~創業板-GEM~~上市規則》第 1.01 條界定) (或獲其授權的任何人士) 不可撤回的權力，讓他將本人提供的上述資料向 ~~創業板-GEM~~ 上市委員會 (按《~~創業板-GEM~~上市規則》第 1.01 條界定) 委員披露；並在香港聯合交易所有限公司主席或一位副主席批准的情況下，向上市科主管不時認為適當的其他人士披露；及

...

本人在此接受香港聯合交易所有限公司就有關《~~創業板~~GEM上市規則》各方面的管轄。

...

Note: ...

附註：按規定須呈交本表格的任何人士，若未能真實、完整及準確地填妥本 C 表格第一部分，或未能簽立本 C 表格第二部分又或未能遵守該部分所作的任何承諾，均構成違反《~~創業板~~GEM上市規則》。此外，凡提供本 C 表格所要求或所述資料的發行人監事均應注意，該等資料構成本意是為遵守「有關條文」（定義見香港法例第 571 章《證券及期貨條例》附表 1 第 1 部）項下關於提供資料的規定而向本交易所提供的資料，本交易所或會依賴該等資料。就此，閣下應注意，根據《證券及期貨條例》第 384 條，在要項上向本交易所提供虛假或具誤導性的資料，有關人士即屬犯法，會遭檢控。若閣下有任何疑問，應立即諮詢本交易所或閣下的專業顧問。

...

Appendix 7

SPONSOR'S FORMS

Form G

Sponsor's Declaration in support of a New Applicant

...

We, are the Sponsor appointed by(the "Company") on [Date] for the purpose referred to in rule 6A.02 of the Rules Governing the Listing of Securities on ~~Growth Enterprise Market~~GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and have offices located at.....

...

Appendix 7

SPONSOR'S FORMS

Form I

Sponsor's Declaration of Compliance concerning a New Applicant

...

(4) []% of the securities are in the hands of the public in accordance with rule 11.23 of The Rules Governing the Listing of Securities on ~~The Growth Enterprise Market~~GEM of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"); and

...

Appendix 7

SPONSOR'S FORMS

Form J

**Declaration in relation to certain
Listing Documents issued by an Issuer**

...

- (1) all the documents required by the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") to be submitted to the Exchange prior to issue of the listing document have been so submitted; and

...

Appendix 7

SPONSOR'S FORMS

Form K

Sponsor's undertaking and statement of independence

...

We,, are the Sponsor appointed by (the "Company") on [Date] for the purpose referred to in rule 6A.02 of the Rules Governing the Listing of Securities on ~~Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and have offices located at..... Under rule 6A.03, we hereby:

...

Appendix 7

SPONSOR'S FORMS

Form M

Compliance Adviser's undertaking

...

We,, are the Compliance Adviser appointed by (the "Company") for the purpose referred to in rule 6A.19/ rule 6A.20 [cross out whichever is not applicable] of the Rules Governing the Listing of Securities on ~~Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and have offices located at.....

...

Appendix 10

MODEL FORMS OF FORMAL NOTICE

Form A

For offers for sale or subscription

...

on

~~THE GROWTH ENTERPRISE MARKET~~GEM
OF THE STOCK EXCHANGE OF HONG KONG LIMITED

...

Copies of the listing document required by the Rules Governing the Listing of Securities on ~~The Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited together with application forms are available during normal office hours up to and including [...../...../.....] from:—

...

Application has been made to The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in the shares of XYZ Limited in issue and to be issued as described in the listing document. Dealings are expected to commence on ~~The Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited on [...../...../.....].

...

Appendix 10

MODEL FORMS OF FORMAL NOTICE

Form B

For introductions

...

on

~~THE GROWTH ENTERPRISE MARKET~~GEM
OF THE STOCK EXCHANGE OF HONG KONG LIMITED

...

Copies of the listing document required by the Rules Governing the Listing of Securities on ~~The Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited are available, for information purposes only, from the Sponsor at [] for a period of 14 days from the date of this Notice.

Application has been made to The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in the above securities. Dealings in the above securities are expected to commence on ~~The Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited on [...../...../.....].

...

Appendix 10

MODEL FORMS OF FORMAL NOTICE

Form C

For placings

...

on

~~THE GROWTH ENTERPRISE MARKET~~ GEM
OF THE STOCK EXCHANGE OF HONG KONG LIMITED

...

Copies of the listing document required by the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited together with application forms are available during normal office hours up to and including [...../...../.....] from:

...

Application has been made to The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in the [securities] [the whole of the ordinary share capital of XYZ Limited, issued and to be issued] as described in the listing document. Dealings are expected to commence on ~~The Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited on [...../...../.....].

...

Appendix 10

MODEL FORMS OF FORMAL NOTICE

Form D

FOR DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

...

NOTICE OF LISTING ON
~~THE GROWTH ENTERPRISE MARKET~~ GEM **OF**
THE STOCK EXCHANGE OF HONG KONG LIMITED

...

Application has been made to The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in [\$ aggregate nominal amount] [Issuer] [Bonds] (guaranteed by []) “the [Bonds]” as described in the Listing Document and such permission to deal in the Bonds on ~~The Growth Enterprise Market GEM~~ of The Stock Exchange of Hong Kong Limited is expected to become effective on [...../...../.....].

...

Appendix 13

INDEPENDENT FINANCIAL ADVISER’S DECLARATION RELATING TO INDEPENDENCE

We,....., are the independent financial adviser (the “Firm”) appointed by (the “Company”) under rule 17.47(6)(b)/ rule 24.05(6)(a)(ii) [*cross out whichever is not applicable*] of the Rules Governing the Listing of Securities on ~~Growth Enterprise Market GEM~~ of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and have offices located at

...

Appendix 14

INDEPENDENT FINANCIAL ADVISER’S UNDERTAKING

...

We,....., are the independent financial adviser appointed by (the “Company”) under rule 17.47(6)(b)/ rule 24.05(6)(a)(ii) [*cross out whichever is not applicable*] of the Rules Governing the Listing of Securities on ~~Growth Enterprise Market GEM~~ of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and have offices located at.....

APPENDIX IV AMENDMENTS TO MAIN BOARD LISTING RULES

Chapter 1

GENERAL

INTERPRETATION

For the avoidance of doubt, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited apply only to matters related to those securities and issuers with securities listed on the stock market operated by the Exchange other than ~~the Growth Enterprise Market~~ (“GEM”). This stock market is defined as the “Main Board” in the Rules Governing the Listing of Securities on ~~the Growth Enterprise Market~~ GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). All matters related to GEM and securities and issuers with securities listed on GEM are governed by the GEM Listing Rules.

1.01 Throughout these Rules, the following terms, except where the context otherwise requires, have the following meanings:

“new applicant” in the case of equity securities means an applicant for listing none of whose equity securities are already listed and in the case of debt securities means an applicant for listing none of whose equity or debt securities are already listed; it also includes a GEM transfer applicant applying to transfer the listing of its securities from GEM to the Main Board

...

Chapter 2A

GENERAL

COMPOSITION, POWERS, FUNCTIONS AND PROCEDURES OF THE LISTING COMMITTEE, THE LISTING APPEALS COMMITTEE AND THE LISTING DIVISION

...

2A.05 Subject to rule 2A.05A and rule 2A.05B, every application for listing ~~(including a transfer of listing from GEM to the Main Board)~~ by a new applicant should be submitted to the Listing Division which may reject it or recommend ~~it to the Listing Committee to approve or reject it~~. However, the Listing Committee has reserved to for itself the power to approve all applications for listing (including transfer of listing from GEM to the Main Board) from a new applicant and this means that even if such an application is recommended by the Executive Director – Listing or the Chief Executive of the Exchange, it must still be approved by the Listing Committee. The Listing Committee may at the request of the Listing Division give an “in principle” approval, that a particular issuer or its business, or a particular type of security is suitable for listing, at an early stage in the application process (but will again consider the full application after the Listing Division has processed it). Otherwise the Listing Committee will not consider an application from a new applicant until the Listing Division has processed the application. If the Listing Committee approves a

listing the Listing Division will normally issue a notification of approval in principle, and then issue a formal approval letter, in due course.

...

Composition of the Listing Committee

2A.17 ...

- (3) the Chief Executive of HKEC acting as ex officio non-voting member.

...

Conduct of Meetings of the Listing Committee

2A.28

The Listing Committee shall meet for the despatch of business, adjourn and otherwise regulate its meetings in accordance with the provisions of the rules made by the Board for this purpose, including rules governing members' conflicts of interest, subject to the provisions of this rule 2A.28. The quorum necessary for the transaction of any business by the Listing Committee shall be five members present in person. The Chief Executive of HKEC ~~may be counted in the quorum for a meeting of the Listing Committee (including a meeting at which the Listing Committee is determining a matter in the first instance) except that he shall not be counted in the quorum for any meeting at which a decision of the Listing Division or the Listing Committee is under~~ will not attend meetings of the Listing Committee at which the Listing Committee is determining a matter in the first instance or on review pursuant to any disciplinary proceedings. The Chief Executive of HKEC may attend meetings of the Listing Committee convened for such purpose and put forward his views (if any) on the matter under review pursuant to any disciplinary proceedings but he shall not thereafter be entitled to participate in the deliberations of the Listing Committee or to vote on such matters. At any meeting held to review an earlier decision of the Listing Committee pursuant to any disciplinary proceedings, all of the members present at the second meeting must be persons who were not present at the first meeting.

...

Chapter 2B

GENERAL

REVIEW PROCEDURE

...

Conduct of review hearing

2B.11

- (1) ...
- (2) ...
- (3) The Chief Executive of HKEC ~~may be counted in the quorum for a meeting of the Listing Committee (including a meeting~~ will not attend meetings of the Listing Committee at which the Listing Committee is determining a matter in

~~the first instance) except that he shall not be counted in the quorum for Listing (Review) Committee at which a decision of the Listing Division or the Listing Committee is under review. The Chief Executive of HKEC may or attend ~~meetings~~ review hearings of the Listing Committee or the Listing (Review) Committee convened for such purpose and put forward his views (if any) on the matter under review but he shall not thereafter be entitled to participate in the deliberations of the Listing (Review) Committee or to vote on such matters.~~

...

Chapter 8

EQUITY SECURITIES

QUALIFICATIONS FOR LISTING

...

8.08 There must be an open market in the securities for which listing is sought. This will normally mean that:-

(1) (a) ...

(b) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalisation at the time of listing of not less than ~~HK\$50,000,000~~HK\$125,000,000.

...

8.09 (1) The expected market capitalisation at the time of listing of the securities of a new applicant which are held by the public (see rule 8.24) in accordance with rule 8.08(1) must be at least ~~HK\$50,000,000~~HK\$125,000,000.

(2) The expected market capitalisation of a new applicant at the time of listing must be at least ~~HK\$200,000,000~~HK\$500,000,000 which shall be calculated on the basis of all issued shares (including the class of securities for which listing is sought and such other class(es) of securities, if any, that are either unlisted or listed on other regulated market(s)) of the new applicant at the time of listing.

...

Chapter 9

EQUITY SECURITIES

APPLICATION PROCEDURES AND REQUIREMENTS

Preliminary

9.01 This Chapter sets out the procedures and requirements for applications for the listing of equity securities, whether by new applicants or by listed issuers. ~~This Chapter does not apply to a transfer of listing from GEM to the Main Board pursuant to Chapter 9A.~~

9.23 The following documents must be submitted to the Exchange before dealings commence:-

(1) ...

(2) ...

(b) a list from each placing broker setting out the names, addresses and identity cards or passport numbers (~~in the case of~~ individuals) and the names, addresses and business registration numbers (~~in the case of~~ companies) of all its placees, the names and addresses of the beneficial owners of the securities (in the case of nominee companies) and the amounts taken up by each of its placees. ~~Such lists may be supplied directly to the Exchange by each placing broker in order to maintain confidentiality.~~

...

Chapter 9A

TRANSFER OF LISTING FROM GEM TO MAIN BOARD

Preliminary

...

9A.01A An “Eligible Issuer” is entitled to a transitional period of three years from [insert date] to [insert date], both dates inclusive (“Transitional Period”) to apply for a transfer of listing of its securities from GEM to the Main Board in accordance with the transitional arrangements set out in Appendix 28. Eligible Issuers include:

(1) all issuers listed on GEM as at 16 June 2017; and

(2) all GEM applicants who have submitted a valid listing application for listing on GEM as at 16 June 2017 and subsequently listed on GEM pursuant to such application or a renewal of such application.

Qualifications for transfer

9A.02 ~~An issuer~~ A GEM transfer applicant may apply for a transfer of listing of its securities from GEM to the Main Board if:

(1) it meets all the qualifications for listing on the Main Board set out in the Exchange Listing Rules, ~~subject to the exceptions set out in rule 9A.03;~~

Note: In order to be listed on the Main Board, the applicant must continue to meet the qualifications referred to in rule 9A.02(1) up to the

commencement of dealings in its securities on the Main Board.

- (2) ~~once it complies~~ with GEM rule 18.03 in respect of its financial results for the first full financial year commencing after the date of its initial listing; and
- (3) in the 12 months preceding the transfer application and until the commencement of dealings in its securities on the Main Board, it has not been the subject of any disciplinary investigation by the Exchange in relation to a serious breach or potentially serious breach of any GEM Listing Rules or Exchange Listing Rules.

9A.03 ~~For the purposes of rule 9A.02(1) and except where expressly required under this Chapter, the following listing qualifications and disclosure requirements modifications do not apply to a transfer of listing from GEM to the Main Board:—~~

~~(1A) no requirement for the publication of a Post Hearing Information Pack under rule 12.01B; and~~

~~(1B) no requirement for the submission of the documents under rules 9.11 (17a) and 9.11(30).~~

~~(1) all requirements relating to application procedures, listing document and prospectus under Chapters 9, 11 and 11A; [Repealed *insert date*]~~

~~(2) all requirements under chapter 3A relating to the appointment and obligations of a sponsor; [Repealed *insert date*]~~

~~*Note: This includes ancillary provisions such as the listing applicant's obligation to assist the sponsor.*~~

~~(3) rule 8.06 relating to the latest financial period reported on by the reporting accountants. [Repealed *insert date*]~~

9A.04 ~~Where an applicant for transfer of listing under this chapter is an infrastructure company, a mineral company or an investment company to which any of rules 8.05B (1) and (2), Chapter 18 or Chapter 21 applies: [Repealed *insert date*]~~

~~(1) it must comply with all listing qualifications set out in rules 8.05B (1) and (2), Chapter 18 or Chapter 21 (as the case may be), with such modifications as the Exchange may determine;~~

~~(2) it must disclose by way of a circular all information required under rule 8.05B(2), Chapter 18 or Chapter 21 (as the case may be) to be disclosed in a listing document, including any statement required to be made by professional adviser(s), with such modifications as the Exchange may determine; and~~

~~(3) the circular must be issued, published and dispatched by the applicant in accordance with rules 2.07C and also distributed to its members and holders of its listed securities in the same manner as prescribed for the distribution of annual reports and accounts under rule 13.46 on the same day as the announcement required under rule 9A.08.~~

Application for transfer

9A.05 It is the intention of the Exchange, as far as possible, to base any decision to approve or reject a transfer application on the issuer's existing recent public disclosures. Where

~~relevant information is not available or where circumstances otherwise demand, the Exchange may in addition request further information to be supplied by the issuer and/or its management, where appropriate in the form of written confirmation. The Exchange may require such additional information to be disclosed. Issuers are reminded that these requirements are not exhaustive and that the Exchange may impose additional requirements in a particular case. [Repealed *[insert date]*]~~

9A.06 ~~An applicant for transfer of listing under this chapter shall submit to the Exchange the following documents: [Repealed *[insert date]*]~~

- ~~(1) a formal application for listing in the form set out in Form J in Appendix 5, signed by a duly authorised director of the issuer;~~
- ~~(2) a declaration in the form set out in Form K in Appendix 5, signed by every director and supervisor (if any) of the issuer confirming and declaring compliance with all the requirements for a transfer of listing (save those disappplied under rule 9A.03)~~
- ~~(3) a checklist prescribed by the Exchange from time to time duly completed and signed by every director and supervisor (if any) of the issuer;,-~~
- ~~(4) an advanced draft public announcement, as required under rule 9A.08, to be published by the issuer in relation to the transfer of listing;~~
- ~~(5) the initial listing fee payable under rule 9.03(1)(b) and paragraph 1(3) of Appendix 8;~~
- ~~(6) the declaration and undertaking set out in rule 9.11(38) duly signed by each director/supervisor and proposed director/supervisor;~~
- ~~(7) where shareholders', board or regulatory approval is required for the transfer of listing (whether under the issuer's constitutive documents or applicable laws or regulations or otherwise), a copy of the relevant approval(s) or resolutions; and~~
- ~~(8) a written confirmation, together with relevant supporting information, to the Exchange that, for the next 12 months from the date of publication of the announcement under rule 9A.08:
 - ~~(a) the working capital available for the group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of the announcement under rule 9A.08; and~~~~

~~*Note: In the case of a Mineral Company, it has available working capital to meet 125% of the group's working capital needs for at least the next 12 months, under Listing Rules 18.03(4) and 18.03(5).*~~

- ~~(b) the issuer's financial advisers or auditors are satisfied that this confirmation has been given after due and careful enquiry and that persons or institutions providing finance have stated in writing that the relevant financing facilities exist.~~

~~*Note: Supporting information for the purpose of rule 9A.06(8) typically includes cashflow forecast memoranda, profit forecasts and written statements from persons or institutions providing finance.*~~

9A.07 An application for transfer from GEM to the Main Board will not be presented to the

~~Listing Committee for approval until all the documents and fees required under Rule 9A.06 have been duly received by the Exchange. [Repealed [insert date]]~~

Announcement of transfer

~~9A.08 An announcement must be made in accordance with rule 2.07C as soon as reasonably practicable and in any event not later than one business day after the issuer has received from the Exchange formal in-principle approval for transfer of its listing to the Main Board and at least 5 clear business days before the intended date dealings in the issuer's shares on the Main Board are expected to commence. [Repealed [insert date]]~~

~~9A.09 The announcement published under rule 9A.08 must contain at least the following information:— [Repealed [insert date]]~~

~~(1) on the front cover or on the top of the announcement a prominent and legible disclaimer statement as follows:—~~

~~“Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.”;~~

~~(2) a statement of responsibility and confirmation on the part of the directors in the form set out in paragraph 2 of Appendix 1, Part A (where the issuer is to be listed under Chapter 21, the statement of responsibility must also be given by the persons set out in Exchange Listing Rule 21.10);~~

~~(3) a statement confirming that all pre-conditions for a transfer of listing, from GEM to the Main Board have, insofar as applicable, been fulfilled in relation to the issuer and the securities of the issuer;~~

~~(4) the reasons for the transfer of listing;~~

~~(5) a statement that the following documents are available for viewing on the Exchange's website and the issuer's own website, giving details as to where on these websites such documents are to be found (to the fullest extent known at the time of publication of the announcement):—~~

~~(a) the issuer's published directors' report and annual accounts for the latest financial year;~~

~~(b) the issuer's latest half-year report or summary half-year report (if any) and (if more recent) the latest quarterly report;~~

~~(c) the issuer's constitutional documents;~~

~~(d) any prospectuses and circulars to shareholders issued by the issuer in the immediately preceding full financial year (if any); and~~

~~(e) announcements and other corporate communications as required under the Exchange Listing Rules;~~

~~(6) a statement that approval has been granted by the Exchange for the issuer's~~

~~securities to be listed on the Main Board and de-listed from GEM, together with the date on which dealings will commence on the Main Board and terminate on GEM;~~

~~(7) the issuer's respective stock codes on the Main Board and GEM;~~

~~(8) a statement that subject to continued compliance with the stock admission requirements of HKSCC, the relevant securities will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") once dealings in the relevant securities on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time;~~

~~(9) if applicable, a statement that the listing of any options, warrants or similar rights or convertible equity securities issued by the issuer will also be transferred to the Main Board pursuant to rule 9A.10, accompanied by information on the nature of the shares offered by way of conversion, exchange or subscription, the rights attaching thereto, the conditions of and procedures for conversion, exchange or subscription and details of the circumstances in which they may be amended;~~

~~(10) if applicable, the information required under rule 8.10(1) and (2) to be disclosed in a listing document, in relation to any competing or potentially competing business of a controlling shareholder or director of the applicant;~~

~~(11) the name of each director of the issuer as required under rule 2.14; and~~

~~(12) such other information as directed by the Exchange to be included in the announcement.~~

Effect of transfer

...

9A.12 Unless otherwise directed by the Exchange, an issuer that successfully transfers from GEM to the Main Board under this Chapter need not re-comply with the continuing obligations under Chapter 3, 3A, 4, 13, 14, 14A or 17 to the extent:—

...

9A.13 The continuous requirement relating to the appointment of a Compliance Adviser for the period specified in GEM rule 6A.19 will survive an issuer's transfer to the Main Board. Where the transfer takes effect before the expiry of the requirement under GEM rule 6A.19, this GEM requirement will continue for any remaining term notwithstanding that the issuer had been transferred to and listed on the Main Board. The requirement under rule 3A.19 is not applicable in the case of to a GEM transfer applicant listed issuer transferring from GEM to the Main Board.

...

Chapter 10

EQUITY SECURITIES

RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

...

10.07 ...

- (4) The provisions of 10.07(1)(a) and (b) shall not apply to an issuer that has successfully transferred its listing from GEM to the Main Board pursuant to Chapter 9A, provided that any plan by the controlling shareholders of the issuer to dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer has been prominently disclosed in the listing document.

No further issues of securities within 6 months of listing

10.08 ...

- (5) the issue of shares or securities to be traded on the Main Board by a listed issuer that has successfully transferred its listing from GEM to the Main Board pursuant to Chapter 9A, provided that any plan to raise funds within six months from the date of the transfer of the issuer's listing to the Main Board has been prominently disclosed in the listing document.

Chapter 11

EQUITY SECURITIES

LISTING DOCUMENTS

...

11.04 The methods of listing required by these Exchange Listing Rules to be supported by a listing document are:—

...

- (4) introduction which includes a transfer of listing from GEM to the Main Board;

...

Chapter 12

EQUITY SECURITIES

...

12.05 Model forms of formal notices for offers for subscription or sale, placings and introductions or transfers from GEM to the Main Board are set out in Appendix 11 for the guidance of issuers. Issuers are reminded that where a prospectus has been registered with the Registrar of Companies pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, every formal notice must comply with Section 38B of that Ordinance.

...

The Stock Exchange of Hong Kong Limited

Practice Note 15

to the Rules Governing the Listing of Securities
(the "Exchange Listing Rules")

Issued pursuant to rule 1.06 of the Exchange Listing Rules

...

3. Principles

...

(a) *Newco to satisfy basic listing criteria*

Where the entity (“Newco”) to be spun-off by the existing issuer (“Parent”) is to be listed on the stock market operated by the Exchange other than ~~the Growth Enterprise Market GEM~~, it must satisfy all requirements of the Exchange Listing Rules falling on new listing applicants, including the basic listing criteria contained in Chapter 8 of the Exchange Listing Rules.

...

Appendix 5

附錄五

Declaration and Undertaking with regard to Directors

董事的聲明及承諾

Form B

B表格

...

Notes: (1) ...

附註:

- (3) ~~[Repealed [insert date]]The sponsor’s certification does not need to be completed where the new applicant is a GEM listed issuer applying to transfer its listing to the Main Board pursuant to Chapter 9A of the Listing Rules.~~

~~如新申請人為擬根據《上市規則》第九A章申請轉往主板上市的創業板上市發行人，則毋須填寫保薦人證明。~~

...

Appendix 5

附錄五

Declaration and Undertaking with regard to Directors of an Issuer incorporated in the People’s Republic of China (“PRC”)

在中華人民共和國（「中國」）註冊成立的發行人的

董事的聲明及承諾

Form H

H 表格

...

Notes: (1) ...

附註:

- (3) ~~[Repealed [insert date]]The sponsor's certification does not need to be completed where the new applicant is a GEM listed issuer applying to transfer its listing to the Main Board pursuant to Chapter 9A of the Listing Rules.~~
~~如新申請人為擬根據《上市規則》第九A章申請轉往主板上市的創業板上市發行人，則毋須填寫保薦人證明。~~

...

Appendix 5

Formal Application for Transfer of Listing of Equity Securities from the ~~Growth Enterprise Market~~ GEM to the Main Board (for Eligible Issuers under Appendix 28)

Form J

This form must be duly completed and lodged in compliance with the provisions of ~~Chapter 9A~~ Appendix 28.

...

Dear Sir,

1. We [Limited] ~~hereby are instructed by [Limited] to~~ apply for the listing of and for permission to deal in the securities referred to in paragraph 3 below subject to the listing rules of The Stock Exchange of Hong Kong Limited entitled "Rules Governing the Listing of Securities" (the "Listing Rules"). (Note 1)
- ...
4. The securities for which application is now made are proposed to be listed by way of transfer of listing from ~~the Growth Enterprise Market~~ GEM to the Main Board.
5. So far as is known, or can be ascertained after reasonable enquiry, by the directors of the issuer, the undermentioned is/ are substantial shareholder(s) of the company or of its holding company (Note 2):—

<u>Name</u>	<u>Address</u>	<u>Extent of holding and which company</u>
-------------	----------------	--

The following are the directors, chief executive and secretary of the issuer (Note 2).

.....

Yours faithfully

.....
Name:
for and on behalf of
[Sponsor's name]
[Note 3]

~~6. We declare, to the best of our knowledge, information and belief, that:—([Repealed [insert date]])~~

- ~~(1) all the qualifications for transfer of listing set out in the relevant chapters of the Listing Rules have, insofar as applicable and required to be met or fulfilled prior to application, been met or fulfilled in relation to the issuer and the securities of the issuer referred to in paragraph 3 above;~~
- ~~(2) all information required to be included in the documents accompanying or incorporated by reference in this application by virtue of the Listing Rules and the Securities and Futures (Stock Market Listing) Rules has been included therein or, if the final version has not yet been submitted (or reviewed), will be included therein before it is so submitted;~~
- ~~(3) all the requirements of the Securities and Futures (Stock Market Listing) Rules, insofar as applicable and required to be fulfilled at the time of application, have been fulfilled in relation to the issuer and the securities of the issuer referred to in paragraph 3 above; and~~
- ~~(4) there are no other facts bearing on the issuer's application for listing of and permission to deal in such securities which, in our opinion, should be disclosed to The Stock Exchange of Hong Kong Limited.~~

7. ISSUER'S SOLE UNDERTAKING

We, Limited, undertake to comply with the Listing Rules from time to time so far as applicable to the issuer.

8. ISSUER'S AUTHORISATION FOR FILING WITH THE COMMISSION

We are required to file copies of our application with the Securities and Futures Commission ("SFC") under section 5(1) of the Securities and Futures (Stock Market Listing) Rules ("Rules").

Under section 5(2) of the Rules, we hereby authorise the Exchange to file all materials with the SFC on our behalf as and when we file them with the Exchange. If our securities become listed on the Exchange, we will be required to file copies of certain announcements, statements, circulars, or other documents made or issued by us or on our behalf to the public or to holders of our securities with the SFC under sections 7(1) and (2) of the Rules. Under section 7(3) of the Rules, we hereby authorise the Exchange to file all such documents with the SFC on our behalf as and when we file them with the Exchange.

All documents aforementioned shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe.

In this letter, "application" has the meaning ascribed to it under section 2 of the Rules.

This authorisation shall not be altered or revoked in any way unless prior written approval has been obtained from the Exchange and the Exchange shall have the absolute discretion to grant such approval. In addition, we undertake to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require.

Yours faithfully,

Signed.

Name:
Director, for and on behalf of
[Issuer's Name]
(Note 34)

NOTES

Note 1 ...

Note 2 ...

Note 3 *This form ~~must be signed by a duly authorised director of the issuer.~~ is to be signed by the sponsor's Principal(s) who act(s) as the supervisor(s) of the Transaction Team (as defined in the SFC Sponsor Provisions) undertaking the listing assignment on behalf of the sponsor. However, regardless of who signs this form on behalf of the sponsor, the Management (as defined in the SFC Sponsor Provisions) of the sponsor will be ultimately responsible for supervision of the work carried out by the sponsor firm and quality assurance in respect of that work. The Exchange reminds sponsors of their obligations to have effective internal systems and controls and proper supervision and oversight including those obligations under the SFC Sponsor Provisions.*

Note 4 This form must be signed by a duly authorised director of the issuer.

...

Appendix 5

Declaration of Directors and Supervisors with Regard to a Transfer of Listing From GEM to the Main Board (for Eligible Issuers under Appendix 28)

Form K

The undersigned jointly and individually declare to the best of our knowledge, information and belief that all pre-conditions for a transfer of listing from the ~~Growth Enterprise Market~~ GEM to the Main Board of The Stock Exchange of Hong Kong Limited as specified under ~~Chapter 9A~~ Appendix 28 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have, insofar as applicable, been fulfilled in relation to the Issuer and the securities of the Issuer.

...

Appendix 8

Listing Fees, Transaction Levies and Trading Fees on New Issues and Brokerage

1. Initial Listing Fee

...

- (3) ~~In a transfer of listing from GEM to the Main Board, the new applicant shall pay the initial listing fee at 50% discount to the scaled fees set out in 1(1), in accordance with the provisions of Chapter 9A [Repealed *[insert date]*]~~

...

Appendix 11

Form B

MODEL FORM OF FORMAL NOTICE

[FOR INTRODUCTIONS] [TRANSFERS FROM GEM TO THE MAIN BOARD]

...

[XYZ Limited]
(incorporated in [Hong Kong] under the [Companies Ordinance])
(Stock code on Main Board: xxxx)
[(Stock code on GEM: xxxx)]

Notice of the [INTRODUCTION] [TRANSFER FROM GEM TO THE MAIN BOARD]

...

~~Financial Adviser~~ [& Sponsor]

...

Copies of the listing document required by the Listing Rules of The Stock Exchange of Hong Kong Limited are available for information purposes only from the Sponsor ~~Financial Adviser~~ at [] for a period of [14] days from the date of this Notice.

...

Appendix 19

SPONSOR'S DECLARATION

...

(b) ...

- (ii) the Company is in compliance with all the conditions in Chapter 8 of the Exchange Listing Rules (except to the extent that compliance with those rules has been waived by the Exchange in writing or are not applicable);

...

Appendix 28

TRANSITIONAL ARRANGEMENTS FOR ELIGIBLE ISSUERS

(see rule 9A.01A)

Purpose

1. This Appendix sets out the transitional arrangements (“**Transitional Arrangements**”) for an Eligible Issuer applying for a transfer of its listing from GEM to the Main Board during the Transitional Period. Such transfer is referred to as an “**Eligible Transfer**”.

General

2. Any GEM transfer application filed by an Eligible Issuer after the end of the Transitional Period must comply with Chapter 9A of the Exchange Listing Rules.
3. Application for an Eligible Transfer shall be approved by the Listing Committee as set out in rule 2A.05, subject to the relevant review powers.

Appointment of Sponsor

4. An Eligible Issuer must appoint a sponsor to conduct due diligence in connection with its Eligible Transfer as follows:
 - (1) for an Eligible Issuer which has changed its principal businesses and/ or controlling shareholder(s) since listing on GEM, the sponsor’s due diligence must be conducted on the information in the Eligible Issuer’s listing document and its activities as if it were a new listing applicant; and
 - (2) for an Eligible Issuer which did not experience changes described in paragraph 4(1) above:
 - (a) in the case of an Eligible Issuer which is not an infrastructure company, a mineral company or an investment company to which any of rules 8.05B(1) and (2), Chapter 18 or Chapter 21 apply, the sponsor’s due diligence must be conducted on the information in the Eligible Issuer’s transfer announcement and its activities for the most recent full financial year and up to the date of its announcement; or
 - (b) in the case of an Eligible Issuer which is an infrastructure company, a mineral company or an investment company to which any of rules 8.05B(1) and (2),

Chapter 18 or Chapter 21 apply, a listing document is required (see paragraph 9) and the sponsor's due diligence must be conducted on the information in the Eligible Issuer's listing document and its activities for the most recent full financial year and up to the date of its listing document.

5. Sponsors must conduct due diligence in accordance with the standards expected of sponsors under the SFC Sponsor Provisions and the principles set out in paragraph 2 of Practice Note 21.

Note: References to "listing document" in paragraph 2 of Practice Note 21 and Appendix 19 shall mean references to an Eligible Transfer announcement, where applicable.

Qualifications for an Eligible Transfer

6. An Eligible Issuer may apply for an Eligible Transfer if:

- (1) it meets all the qualifications for listing on the Main Board set out in the Exchange Listing Rules, except as modified by paragraph 7;

Note: In order to be listed on the Main Board, the Eligible Issuer must continue to meet the qualifications referred to in paragraph 6(1) up to the commencement of dealings in its securities on the Main Board.

- (2) it complied with GEM rule 18.03 in respect of its financial results for the first full financial year commencing after the date of its initial listing; and

- (3) in the 12 months preceding the Eligible Transfer application and until the commencement of dealings in its securities on the Main Board, it has not been the subject of any disciplinary investigation by the Exchange in relation to a serious breach or potentially serious breach of any GEM Listing Rules or Exchange Listing Rules.

7. The following requirements apply to an Eligible Transfer:

- (1) an Eligible Issuer does not need to comply with rules 8.09(1) and 8.09(2). Instead, it must have, at the time of listing, an expected market capitalisation of at least:

(a) HK\$200,000,000 which shall be calculated on the basis of all its issued shares (including the class of securities for which listing is sought and such other class(es) of securities, if any, that are either unlisted or listed on other regulated market(s)); and

(b) HK\$50,000,000 for securities held by the public (see rule 8.24) in accordance with rule 8.08(1);

- (2) an Eligible Issuer does not need to comply with rule 8.08(1)(b). Instead, where an Eligible Issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities for the Eligible Issuer held by the public (on all regulated market(s) including the Exchange) at the time of listing must be at least 25% of the Eligible Issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of

issued shares, having an expected market capitalisation at the time of listing of no less than HK\$50,000,000; and

- (3) the initial listing fee will be 50% less than the scaled fees set out in paragraph 1(1) of Appendix 8.

Publication Requirements

8. An Eligible Issuer which has not changed its principal businesses and controlling shareholder(s) since listing on GEM and is not an infrastructure company, a mineral company or an investment company does not need to comply with:

- (1) all requirements in Chapters 9, 11 and 12; and
(2) rule 8.06 relating to the latest financial period reported on by the reporting accountants.

9. An Eligible Issuer which has changed its principal businesses and/ or controlling shareholder(s) since listing on GEM or is an infrastructure company, a mineral company or an investment company must issue, publish and, where applicable, distribute:

- (1) an Application Proof in compliance with Practice Note 22;
(2) a formal notice in the form set out in Form B in Appendix 11; and
(3) a listing document in compliance with Chapter 11.

10. An Eligible Issuer which falls under paragraph 8 must issue and publish an announcement which contains at least the following information:

- (1) on the front cover or on the top of the announcement a prominent and legible disclaimer statement as follows:—

“Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.”;

- (2) a statement of responsibility and confirmation on the part of the directors in the form set out in paragraph 2 of Appendix 1, Part A (where the issuer is to be listed under Chapter 21, the statement of responsibility must also be given by the persons set out in rule 21.10);
(3) a statement confirming that all applicable pre-conditions for an Eligible Transfer, insofar as applicable, have been fulfilled in relation to the Eligible Issuer and its securities;
(4) the reasons for the transfer of listing;
(5) a concise update of the Eligible Issuer’s affairs during the most recent full financial year and up to the date of the announcement (the “relevant period”) and covering the

following key areas:-

- (a) a management discussion and analysis of its performance in the most recent full financial year;
 - (b) a business update of the Eligible Issuer during the relevant period, including major developments, highlights and the latest status;
 - (c) material changes since the end of the most recent full financial year (if any);
 - (d) other material information during the trading record period and up to the date of the announcement, including non-compliances, shareholding or management changes, or relevant regulatory or industry developments; and
 - (e) any other material information identified during the due diligence process;
- (6) a statement that the following documents are available for viewing on the Exchange's website and the Eligible Issuer's own website, giving details as to where on these websites such documents are to be found (to the fullest extent known at the time of publication of the announcement):
- (a) the Eligible Issuer's published directors' report and annual accounts for the latest financial year,
 - (b) the Eligible Issuer's latest half-year report or summary half-year report (if any) and (if more recent) the latest quarterly report,
 - (c) the Eligible Issuer's constitutional documents;
 - (d) any prospectuses and circulars to shareholders issued by the Eligible Issuer in the immediately preceding full financial year (if any); and
 - (e) announcements and other corporate communications as required under the Exchange Listing Rules;
- (7) a statement that approval has been granted by the Exchange for the Eligible Issuer's securities to be listed on the Main Board and de-listed from GEM, together with the date on which dealings will commence on the Main Board and terminate on GEM;
- (8) the Eligible Issuer's respective stock codes on the Main Board and GEM;
- (9) a statement that subject to continued compliance with the stock admission requirements of HKSCC, the relevant securities will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the relevant securities on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time;
- (10) if applicable, a statement that the listing of any options, warrants or similar rights or convertible equity securities issued by the Eligible Issuer will also be transferred to the Main Board pursuant to rule 9A.10, accompanied by information on the nature of the shares offered by way of conversion, exchange or subscription, the rights attaching

thereto, the conditions of and procedures for conversion, exchange or subscription and details of the circumstances in which they may be amended;

(11) if applicable, the information required under rules 8.10(1) and (2) to be disclosed in a listing document, in relation to any competing or potentially competing business of a controlling shareholder or director of the Eligible Issuer;

(12) the name of each director of the Eligible Issuer as required under rule 2.14; and

(13) such other information as directed by the Exchange to be included.

11. The announcement referred to in paragraph 10 above must be published in accordance with rule 2.07C as soon as reasonably practicable and in any event not later than one business day after the Eligible Issuer has received from the Exchange formal in-principle approval for the Eligible Transfer and at least 5 clear business days before the intended date dealings in the Eligible Issuer's shares on the Main Board are expected to commence.

Documentary Requirements

12. An Eligible Issuer which falls under paragraph 8 shall submit to the Exchange the following documents:

(1) a formal application for listing in the form set out in Form J in Appendix 5, signed by a duly authorised director of the Eligible Issuer and the sponsor;

(2) a declaration in the form set out in Form K in Appendix 5, signed by every director and supervisor (if any) of the Eligible Issuer confirming and declaring compliance with all the requirements for an Eligible Transfer;

(3) an undertaking and statement of independence under rule 3A.03 in the form in Appendix 17 duly signed on the sponsor's behalf;

(4) a checklist prescribed by the Exchange from time to time duly completed and signed by every director and supervisor (if any) and the sponsor of the Eligible Issuer;

(5) advanced draft document required to be published by an Eligible Issuer under paragraph 10 above;

(6) the initial listing fee payable;

(7) the declaration and undertaking set out in rule 9.11(38) duly signed by each director/supervisor and proposed director/ supervisor;

(8) where shareholders' board or regulatory approval is required for the Eligible Transfer (whether under the Eligible Issuer's constitutional documents or applicable laws or regulations or otherwise), a copy of the relevant approval(s) or resolutions;

(9) a written confirmation by the sponsor in compliance with rules 8.21A(1)(a) and 8.21A(1)(b), together with relevant supporting information, to the Exchange;

Note: Supporting information for the purpose of paragraph 12(9) typically includes cash flow forecast memoranda, profit forecasts and written statements from persons or institutions providing finance.

(10) each sponsor must submit to the Exchange a declaration set out in Appendix 19 as soon as practicable after the Listing Committee's hearing of the Eligible Transfer application but on or before the date of issue of the Eligible Transfer announcement.

13. An Eligible Issuer which has changed its principal businesses and/ or controlling shareholder(s) since listing on GEM or is an infrastructure company, a mineral company or an investment company must follow the application procedures and requirements under Chapter 9 (save for rules 9.11(17a) and 9.11(30)).

14. An application for an Eligible Transfer will not be presented to the Listing Committee for approval until all the documents and fees required under paragraphs 12 and 13 have been duly received by the Exchange.

Effect of an Eligible Transfer

15. Rules 9A.10 to 9A.12 apply to an Eligible Transfer.

16. The continuous requirement relating to the appointment of a Compliance Adviser for the period specified in GEM rule 6A.19 will survive an Eligible Transfer. Where the Eligible Transfer takes effect before the expiry of the requirement under GEM rule 6A.19, this GEM requirement will continue for any remaining term notwithstanding that the Eligible Issuer had been transferred to and listed on the Main Board. The requirement under rule 3A.19 on the appointment of a Compliance Adviser is not applicable to an Eligible Transfer.

APPENDIX V LIST OF RESPONDENTS

INSTITUTIONS

Market practitioners

1. Addleshaw Goddard (Hong Kong) LLP (on behalf of (a) 14 market practitioners - CLC International Limited, Convoy Capital Hong Kong Limited, Dakin Capital Limited, Euto Capital Partners Limited, Ever-Long Securities Company Limited, Frontpage Capital Limited, Gransing Securities Co., Limited, Huabang Corporate Finance Limited, Kingston Corporate Finance Limited, Messis Capital Limited, Red Sun Capital Limited, TC Capital International Limited, VC Capital Limited and WAG Worldsec Corporate Finance Limited; and (b) six individuals - Chan Hi Kit, Chan Chuk Cheung Ivan, How Sze Ming, Lo Wing Shing Steven, Tai Kwok Leung Alexander and Wan Joseph Jason)
2. Ballas Capital Limited
3. BDO Limited
4. C&T Partners (submission provided in Chinese)
5. Central China International Capital Limited
6. Charltons (on behalf of Anglo Chinese Corporate Finance Limited, Quam Capital Limited and Somerley Capital Limited)
7. Deacons
8. Ernst & Young
9. Grandall Law Firm (submission provided in Chinese)
10. Greater China Assets Services Limited
11. Guosen Securities (HK) Capital Company Limited (submission provided in Chinese)
12. Heungkong Financial Group
13. KPMG
14. Latham & Watkins
15. Linklaters
16. PricewaterhouseCoopers
17. Shenwan Hongyuan Capital (H.K.) Limited
18. SHINEWING (HK) CPA Limited
19. Slaughter and May
20. Yunfeng Financial Group
21. to 31. 11 market practitioners (*name not disclosed at respondents' request*)

Professional bodies and industry associations

32. ACCA Hong Kong
33. Asia Securities Industry & Financial Markets Association
34. The British Chamber of Commerce in Hong Kong
35. California State Teachers' Retirement System
36. The Chamber of Hong Kong Listed Companies
37. CMA Australia
38. Frost & Sullivan International Limited (submission provided in Chinese)
39. FTSE Russell
40. Hong Kong Institute of Certified Public Accountants
41. The Hong Kong Institute of Chartered Secretaries
42. Hong Kong Professionals and Senior Executive Association (submission provided in Chinese)
43. Hong Kong Securities Association (submission provided in Chinese)
44. The Hong Kong Society of Financial Analysts
45. The Institute of Securities Dealers (submission provided in Chinese)
46. The Law Society of Hong Kong
47. The Listed Companies Council, Hong Kong Chinese Enterprises Association (submission provided in Chinese)
48. to 49. 2 professional bodies and industrial associations (*name not disclosed at respondents' request*)

Listed issuers

- 50. Altus Holdings Limited, A. Plus Group Holdings Limited and GME Group Holdings Limited (joint submission)
- 51. Easy Repay Finance & Investment Limited (submission provided in Chinese)
- 52. HMV Digital China Group (submission provided in Chinese)
- 53. Pizu Group Holdings Limited (submission provided in Chinese)
- 54. to 59. 6 listed issuers (*name not disclosed at respondents' request*)

Others

- 60. Business and Professionals Alliance for Hong Kong (submission provided in Chinese)
- 61. CompliancePlus Consulting Limited
- 62. Computershare Hong Kong Investors Services Limited
- 63. Financial Services Development Council, Hong Kong
- 64. Lab in Hong Kong (submission provided in Chinese)
- 65. TLX Inc.
- 66. Webb-site Reports
- 67. to 78. 12 other respondents (*name not disclosed at respondents' request*)

INDIVIDUALS

Corporate finance staff

- 79. Mr. Alvin H. Y. Leung
- 80. Mr. Robin Fox
- 81. Mr. Wong Chun Yee
- 82. 1 corporate finance staff (*name not disclosed at respondents' request*)

Investment management staff

- 83. Mr. Anthony Cheung

Retail investors

- 84. Mr. Matthew Harrison

Listed company staff

- 85. Mr. Zhao Qilin (submission provided in Chinese)
- 86. to 88. 3 listed company staff (*name not disclosed at respondents' request*)

Others

- 89. to 100. 12 other individual respondents (*name not disclosed at respondents' request*)

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