

Frequently Asked Questions No. 138-2024 to 155-2024 (Effective on 1 January 2024)

Frequently Asked Questions on Rule Amendments relating to GEM Listing Reforms effective on 1 January 2024

Status of “Frequently Asked Questions”

The following frequently asked questions (FAQs) are designed to help applicants and issuers to understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Rules or where further clarification may be desirable.

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Rules. If there is any discrepancy between the FAQs and the Rules, the Rules prevail. Defined terms used herein have the same meaning as ascribed to them in the relevant Rules and guidance.

In formulating our “responses”, we may have assumed certain underlying facts, selectively summarised the Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply to all cases where the scenario may at first appear similar. In any given case, regard must be had to all the relevant facts and circumstances.

The Listing Division may be consulted on a confidential basis. Contact the Listing Division at the earliest opportunity with any queries.

Release Date (Last Update Date)	Main Board Rules	GEM Rules	Series No.	FAQ No.	Query	Response
Qualifications for transfer						
02/05/2008 (01/01/2024)	9A.02(1), 9B.03(2), 8.05(2)(d), 8.05(3)(d), 8.09(2)	9.24	N/A	138-2024	How should a GEM transfer applicant demonstrate compliance with the minimum market capitalisation requirement under Rule 8.05(2)(d), Rule 8.05(3)(d) or Rule 8.09(2) (as the case may be) (" MB Mkt Cap Requirement "); and the volume weighted average market capitalisation requirement under Rule 9B.03(2)?	<p>Under Rule 9A.02, a GEM transfer applicant must meet all qualifications for listing on the Main Board, including the market capitalisation requirements under Main Board Chapter 8. For this purpose, the market capitalisation should be calculated using the share price on the date of listing on the Main Board. In practice, the Exchange will assess whether the applicant meets the MB Mkt Cap Requirement based on the closing share price on the trading day immediately before the first day of the proposed transfer (i.e. Main Board listing).</p> <p>The Exchange will also examine the applicant's share price movement during the trading record period, and if the applicant had not been able to meet the MB Mkt Cap Requirement for a prolonged period of time, the Exchange will closely monitor the applicant's share price movement and critically examine any unusual increase, especially when close to the day of transfer. The Exchange may not approve the transfer application until the applicant and its sponsor provide reasonable and satisfactory explanation on the unusual share price movement. Further, if the applicant's share price and/or trading volume had been volatile, the Exchange will require the applicant to make relevant prominent disclosure in the transfer announcement/ listing document.</p> <p>For an applicant applying for a streamlined transfer of listing under Main Board Chapter 9B, its volume weighted average market capitalisation over the Reference Period must <u>also</u> meet the MB Mkt Cap Requirement as adjusted for any applicable corporate actions and calculated in accordance with Notes 1 and</p>

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						2 to Rule 9B.03. Details of the calculation methodology are set out in Attachment 2 . <i>(Previously published in Series 5 No. 21)</i>
02/05/2008 (01/01/2024)	9A.02(1), 9B.03(2), 8.05(2)(d), 8.05(3)(d), 8.09(2)	9.24, 11.12A(4)(d), 11.23(6), 11.23(9)	N/A	139-2024	Can debt securities be included when calculating an applicant's market capitalisation?	No. Only equity securities can be included in the calculation. <i>(Previously published in Series 5 No. 13)</i> [Updated in January 2024]
02/05/2008 (01/01/2024)	9A.02(2), 9B.03(1)	N/A	N/A	140-2024	Can a GEM issuer submit a transfer application under Main Board Chapter 9A before it publishes its annual report for the first full financial year following the date of its GEM listing? . Can a GEM issuer submit a transfer application under Chapter 9B before it publishes the annual report for the last full financial year of its three year track record as a GEM listed issuer?	No. A GEM issuer applying for transfer under Main Board Chapter 9A must have published its annual report when it submits its transfer application. For example, if a GEM issuer has a December financial year end and was listed on GEM in 2022, under Rule 9A.02(2), it could submit a transfer application after the annual report for the financial year 2023 has been published and distributed to its shareholders, which is required to be within the first four months of 2024 under GEM Rule 18.03. For a GEM issuer with a December year end applying for transfer under Main Board Chapter 9B that listed on GEM in 2022, under Rule 9B.03(1), it could submit a transfer application after the annual report for the financial year 2025 has been published and distributed to its shareholders. <i>(Previously published in Series 5 No. 17)</i> [Updated in January 2024]
02/05/2008 (01/01/2024)	9A.02(3)	N/A	N/A	141-2024	How can a GEM issuer know (for the purpose of meeting the requirement of Rule 9A.02(3)) if there is an open	The Listing Division will, upon the request of a GEM issuer, provide the GEM issuer with a written confirmation on whether it fulfils the requirement under Rule 9A.02(3) as at the date of such confirmation.

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					Exchange investigation into its compliance, before it submits a transfer application?	<p>If additional information that alters such confirmation comes to light within two months of the letter, the Exchange will notify the GEM issuer in writing.</p> <p><i>(Previously published in Series 5 No. 22)</i></p> <p>[Updated in January 2024]</p>
02/05/2008 (01/01/2024)	9A.02(3)	N/A	N/A	142-2024	What factors would the Exchange take into consideration in assessing whether a breach by a GEM transfer applicant is “serious” for the purpose of assessing its eligibility for a transfer to the Main Board?	<p>The Exchange will normally have regard to the following factors:</p> <ul style="list-style-type: none"> the nature and extent of the breach (for example, whether it involves any prejudice or risk of prejudice to investors such as failure to obtain prior shareholder approval for connected transactions, or failure to make disclosure under Main Board Rule 13.09, and the duration and frequency of the breach); and whether there is evidence that the breach involves fraud, deceit or dishonesty, is deliberate or due to recklessness, or reveals material or systemic weaknesses in the listed company’s internal control procedures. <p><i>(Previously published in Series 5 No. 20)</i></p> <p>[Updated in January 2024]</p>
01/01/2024	9A.02(3)	N/A	N/A	143-2024	Can a GEM transfer applicant fulfil the compliance record requirement of Rule 9A.02(3) if it was held to have committed a serious breach of the Listing Rules that was	<p>Yes. Where a finding of a serious breach of the Listing Rules by the GEM Listing Committee / Listing Committee was overturned by the GEM Listing Review Committee / Listing Review Committee, the GEM transfer applicant will not be considered to have committed a serious breach of any Listing Rules.</p>

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					subsequently overturned by the GEM Listing Review Committee / Listing Review Committee ?	A GEM issuer may apply for a transfer under Chapter 9A and Chapter 9B of the Main Board Listing Rules, respectively, in each of the following scenarios: (a) if investigations by the Exchange are not leading or have not led to any disciplinary proceedings; or (b) upon conclusion of the disciplinary proceedings where there is a finding of no serious breach of the Listing Rules.
01/01/2024	8.05(1)-(3), 9B.01	N/A	N/A	144-2024	Can a GEM transfer applicant choose to meet any of the financial eligibility requirements under Rule 8.05(1) to (3) for the purpose of satisfying listing eligibility requirements under Chapter 8?	Yes, a transfer applicant can choose to meet any of the tests under Rule 8.05(1) to (3) for the purpose of satisfying listing eligibility requirements under Chapter 8 unless it is a Mineral Company that complies with Rule 18.04. It must also meet other applicable listing requirements under Chapter 8.
Transfer process						
02/05/2008 (01/01/2024)	9B.08	9.26	N/A	145-2024	Will the Listing Division pre-vet the announcements required by (i) GEM Rule 9.26 and (ii) Main Board Rule 9B.08?	(i) The Listing Division will not pre-vet the announcement required under GEM Rule 9.26. (ii) The announcement required by Main Board Rule 9B.08 must be submitted to the Exchange together with the transfer application and will be vetted and approved by the Exchange before it can be published. <i>(Previously published in Series 5 No. 26)</i> [Updated in January 2024]
02/05/2008 (01/01/2024)	9B.08 and 11.04	9.26	N/A	146-2024	Will trading in the shares of a transfer applicant be halted or	GEM transfer applicants are required to observe the trading halt or suspension policy and the general

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					suspended at any time during the transfer process?	<p>disclosure obligations under the GEM Rules as long as they are still listed on GEM.</p> <p>A GEM transfer applicant must assess whether the information relating to the transfer process would require disclosure under GEM Rule 17.10, having considered its particular circumstances. A trading halt or suspension would be necessary in any of the circumstances described in GEM Rules 17.11A(1) to (3) where an announcement cannot be made.</p> <p><i>(Previously published in Series 5 No. 27)</i></p> <p>[Updated in January 2024]</p>
02/05/2008 (01/01/2024)	9A.10, 9B.02	N/A	N/A	147-2024	If a GEM issuer transfers the listing of its equity securities to the Main Board, would the related GEM-listed warrants, options or convertible instruments be transferred to Main Board?	<p>Yes, any related GEM-listed warrants, options or convertible instruments would transfer to the Main Board simultaneously with the equity securities, which is in line with the spirit of Main Board Listing Rules 15.05 and 16.02.</p> <p><i>(Previously published in Series 5 No. 28)</i></p> <p>[Updated in January 2024]</p>
02/05/2008 (01/01/2024)	9A.11, 9B.02	N/A	N/A	148-2024	If there is an issue of new shares at the time of or shortly before the transfer of listing, will there be any parallel trading arrangements (i.e. with existing shares traded on GEM and newly issued shares traded on the Main Board)?	<p>No. Parallel trading of securities of the same issuer on both boards is not allowed. There should be a clear-cut date for cessation of trading on GEM and commencement of trading on the Main Board.</p> <p><i>(Previously published in Series 5 No. 29)</i></p> <p>[Updated in January 2024]</p>

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02/05/2008 (01/01/2024)	10.07, 10.08	N/A	N/A	149-2024	Will there be restrictions on disposal/ issuance of shares or fund-raising activities for a GEM issuer during its transfer application process?	No, unless such activities would lead to market disruption or unfairness of treatment. Issuers should note that the requirements of Main Board Rules 10.07(1) and 10.08 are not applicable to GEM transfers as provided under Rule 10.07(4) and 10.08(5). <i>(Previously published in Series 5 No. 31)</i> [Updated in January 2024]
02/05/2008 (01/01/2024)	Chapters 9A and 9B general	N/A	N/A	150-2024	Can a GEM transfer applicant choose its new Main Board stock code?	Yes, all GEM transfer applicants must change their stock code when they transfer to the Main Board, and can choose their preferred stock code under the same process as that applicable to new Main Board IPO applicants. <i>(Previously published in Series 5 No. 15)</i> [Updated in January 2024]
02/05/2008 (01/01/2024)	General	N/A	N/A	151-2024	Will there be a listing ceremony for transferring to the Main Board from GEM?	This is possible at the issuer's request. <i>(Previously published in Series 5 No. 34)</i> [Updated in January 2024]
After transfer to the Main Board						
02/05/2008 (01/01/2024)	N/A	3.10	N/A	152-2024	Where a GEM-listed company has successfully transferred its listing to the Main Board, will it still be held accountable for breaches of the GEM Listing Rules / Exchange Listing Rules	Yes. The issuer will still be subject to the disciplinary action by the GEM Listing Committee / Listing Committee for breaches of the GEM Listing Rules or Exchange Listing Rules it committed at that time. <i>(Previously published in Series 5 No. 2)</i> [Updated in January 2024]

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					committed when it was listed on GEM?	
02/05/2008 (01/01/2024)	9A.12(2)	N/A	N/A	153-2024	If a GEM issuer transfers to the Main Board within a period approved by shareholders' for continuing connected transactions, would it be necessary for the GEM issuer to obtain shareholders' approval again after the transfer to the Main Board?	No, if there has not been any change of facts or circumstances since the original shareholders' approval was granted, a GEM issuer does not need to refresh the shareholders' approval merely because of its transfer to the Main Board. The effect of the shareholders' approval shall continue until its original expiry date. <i>(Previously published in Series 5 No. 30)</i> [Updated in January 2024]
General (originating from FAQ Series 5 and FAQs published following 2017 GEM consultation)						
15/12/2017 (01/01/2024)	Appendix F1	N/A	N/A	154-2024	Why are there no separate placing guidelines for GEM? Do the placing guidelines in Appendix F1 to the Main Board Rules (" MB Placing Guidelines ") apply to GEM listing applications?	It is our intention to update the placing guidelines for both GEM and the Main Board together at a later date and a revised set of placing guidelines will be introduced. Until then, we will continue the existing practice to require GEM listing applicants to comply with the MB Placing Guidelines, where applicable. <i>(Previously published in No. 021-2017)</i> [Updated in January 2024]
02/05/2008 (01/01/2024)	N/A	11.14	N/A	155-2024	Where the Exchange accepts a shorter operating period for infrastructure project companies, Mineral Companies and other circumstances stated under Rule 11.14, will there be a corresponding relaxation of the minimal operating cash flow requirement?	No. The listing applicant must still meet the minimum operating cash flow and other eligibility requirements over the shorter operating period. <i>(Previously published in Series 5 No. 11)</i> [Updated in January 2024]

Attachment 2: (See FAQ 138-2024)

Main Board Rule 9B.03(2) states that an Eligible Issuer applying for a transfer of listing under Main Board Chapter 9B must demonstrate that the volume weighted average market capitalisation of its securities over the Reference Period meets the minimum market capitalisation requirement under Main Board Rule 8.05(2)(d), Rule 8.05(3)(d) or Rule 8.09(2), as the case may be.

For this purpose, Notes 1 and 2 to Main Board Rule 9B.03(2) state that:

- (a) the volume weighted average market capitalisation is calculated as the sum of the daily market capitalisation multiplied by the ratio of the daily number of shares traded to the total number of shares traded (as stated in the Exchange's daily quotations sheets) for all the trading days over the Reference Period as adjusted for any applicable corporate actions. The daily market capitalisation referred to above is the number of total issued shares of the issuer as shown in an issuer's relevant next day disclosure return as referred to in rule 17.27A(1) of the GEM Listing Rules or monthly return as referred to in rule 17.27B of the GEM Listing Rules (whichever is more recent), multiplied by the intraday volume weighted average price ("**VWAP**") of the listed issuer's securities, which is calculated by dividing the turnover (as stated in the Exchange's daily quotations sheets) by the number of shares traded (as stated in the Exchange's daily quotations sheets) for that trading day;
- (b) references to "Reference Period" shall mean a period of 250 trading days immediately preceding the relevant transfer application and until the commencement of dealings in the issuer's securities on the Main Board; and
- (c) references to "trading day" shall have the meaning as in the Rules of the Exchange, but shall exclude the trading days on which trading of the issuer's securities was halted or suspended.

This attachment provides illustration on how to calculate the volume weighted average market capitalisation of a transfer applicant.

Steps to calculate the volume weighted average market capitalisation of a transfer applicant (assuming no applicable corporate action took place during the Reference Period)

1. List the daily market capitalisation (as determined by the number of total issued shares and the intraday VWAP) and daily number of shares traded over the Reference Period.
2. Calculate the total number of shares traded over the Reference Period.

3. Obtain the weight for each trading day by dividing the number of shares traded during that day by the total number of shares traded over the Reference Period.
4. The volume weighted average market capitalisation will be the weighted sum of the market capitalisation on each trading day over the Reference Period. For example, in the table below, the weighted sum would be HK\$600,000,000 × 0.8% + HK\$620,000,000 × 0.6% + HK\$670,000,000 × 1.0% +

Day	Market Capitalisation (HK\$ million)	Number of Shares Traded	Weight
1	600	4,800	0.8%
2	620	3,600	0.6%
3	670	6,000	1.0%
...
TOTAL		600,000	100%

Adjustments for applicable corporate actions

A. *Sub-division or consolidation of shares*

(a) ***Share sub-division***

Scenario: Two-for-one share sub-division on Day 100

1. List the daily market capitalisation (as determined by the number of total issued shares and the intraday VWAP) and daily number of shares traded over the Reference Period.
2. Assuming a two-for-one share sub-division effective on Day 100, the number of shares traded on each of Days 1 to 99 will be multiplied by an adjustment factor of 2 (2:1) to obtain the adjusted number of shares traded.
3. Calculate the total adjusted number of shares traded over the Reference Period.
4. Obtain the weight for each trading day by dividing the adjusted number of shares traded during that day by the total adjusted number of shares traded over the Reference Period.

5. The volume weighted average market capitalisation will be the weighted sum of the market capitalisation on each trading day over the Reference Period. For example, in the table below, the weighted sum would be HK\$500,000,000 × 0.40% + HK\$550,000,000 × 0.48% + ... + HK\$600,000,000 × 0.60% + HK\$650,000,000 × 0.32% + HK\$700,000,000 × 0.34% +

Day	Market Capitalisation (HK\$ million)	Number of Shares Traded	Adjusted Number of Shares Traded	Weight
1	500	1,000	2,000	0.40%
2	550	1,200	2,400	0.48%
...
99	600	1,500	3,000	0.60%
100 (share sub-division effective date)	650	1,600	1,600	0.32%
101	700	1,700	1,700	0.34%
...
TOTAL			500,000	100%

Note: Any applicable corporate actions that result in an increase in the number of outstanding shares but with the total market capitalisation unchanged (e.g., capitalisation or bonus issue of shares) should be adjusted in a similar manner.

(b) Share consolidation

Scenario: One-for-five share consolidation on Day 100

1. List the daily market capitalisation (as determined by the number of total issued shares and the intraday VWAP) and daily number of shares traded over the Reference Period.
2. Assuming a one-for-five share consolidation effective on Day 100, the number of shares traded on each of Days 1 to 99 will be multiplied by an adjustment factor of 0.2 (1:5) to obtain the adjusted number of shares traded.
3. Calculate the total adjusted number of shares traded over the Reference Period.

4. Obtain the weight for each trading day by dividing the adjusted number of shares traded during that day by the total adjusted number of shares traded over the Reference Period.
5. The volume weighted average market capitalisation will be the weighted sum of the market capitalisation on each trading day over the Reference Period. For example, in the table below, the weighted sum would be $\text{HK\$}500,000,000 \times 0.04\% + \text{HK\$}550,000,000 \times 0.05\% + \dots + \text{HK\$}600,000,000 \times 0.06\% + \text{HK\$}650,000,000 \times 0.32\% + \text{HK\$}700,000,000 \times 0.34\% + \dots$

Day	Market Capitalisation (HK\$ million)	Number of Shares Traded	Adjusted Number of Shares Traded	Weight
1	500	1,000	200	0.04%
2	550	1,200	240	0.05%
...
99	600	1,500	300	0.06%
100 <i>(share consolidation effective date)</i>	650	1,600	1,600	0.32%
101	700	1,700	1,700	0.34%
...
TOTAL			500,000	100%

B. Capitalisation or Bonus Issue of Shares

Please refer to the scenario under part (a) of Section A of this attachment.