

Transfer of listing from GEM to Main Board

Qualifications for transfer

1. When can a GEM issuer submit a transfer application under MB Chapters 9A and 9B?

A GEM issuer applying for transfer under:

- (i) MB Chapter 9A must have published its annual report for the first full financial year after its initial listing; and
- (ii) MB Chapter 9B must have published its annual reports for the three full financial years following its initial listing.

For example, below is the earliest timeline for a GEM issuer with a December year end to submit a transfer application:

Applicable MB Chapter	Year end	Initial GEM listing	Earliest time to submit a transfer application
MB Chapter 9A	December	November 2022	After 2023 annual report has been published and distributed to its shareholders.
MB Chapter 9B	December	November 2022	After 2025 annual report has been published and distributed to its shareholders.

*MB Rules 9A.02(2) and 9B.03(1)
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2. How would the Exchange assess whether a GEM issuer meets the minimum market capitalisation requirement under MB Chapter 8 (Market Cap Requirement)?

Under MB Rule 9A.02(1), a GEM issuer must meet all qualifications for listing on the Main Board, including the Market Cap Requirement. 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 calculate the market capitalisation using the closing share price on the trading day immediately before the first day of the proposed transfer.

The Exchange will also examine the GEM issuer's share price movement and assess whether the Market Cap Requirement was met during the trading record period. If the GEM issuer failed to meet the Market Cap Requirement for a prolonged period of time during the trading record period and had unusual share price movement (especially for any increase close to the day of transfer), the Exchange may:

- (i) Not approve the transfer application until a reasonable and satisfactory explanation is provided by the GEM issuer and its sponsor; and
- (ii) Require the GEM issuer to make prominent disclosure in its transfer announcement or listing document on the volatile share price and/or trading volume.

MB Rules 9A.02(1) and 9B.03(2)
GEM Rule 9.24

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3. How should a GEM issuer calculate the volume weighted average market capitalisation requirement under MB Rule 9B.03(2)?

- (i) List the daily market capitalisation (determined by the number of total issued shares (excluding treasury shares) and the intraday volume weighted average price) and daily number of shares traded over the 250 trading days immediately preceding the relevant transfer application and until the commencement of dealings in the GEM issuer's securities on the Main Board (the **Reference Period**). (Columns A, B and C of the table below)
- (ii) If there was any corporate action during the period, calculate the adjusted number of shares traded (e.g. two-for-one share sub-division results in an adjustment factor of 2, one-for-five share consolidation results in an adjustment factor of 0.2). (Column D)
- (iii) Calculate the total adjusted number of shares traded over the Reference Period and derive the weight for each trading day. (Columns D and E)
- (iv) Calculate the volume weighted average market capitalisation (i.e. the weighted sum of the market capitalisation on each trading day). For example, in the table, the weighted sum would be HK\$500 million x 0.40% + HK\$550 million x 0.48% + ... + HK\$650 x 0.32% + ... (Column F)

Reference Period	Market Capitalisation (HK\$ million)	Number of Shares Traded	Adjusted Number of Shares Traded	Weight	Volume weighted average market capitalisation (HK\$ million)
(A)	(B)	(C)	(D) = (C)*adjusted factor	(E) = (D)/Sum of (D)	(F) = (B) x (E)
1	500	1,000	2,000	0.40%	2.0
2	550	1,200	2,400	0.48%	2.6
...
99	600	1,500	3,000	0.60%	3.6
100 (effective date of share sub-division)	650	1,600	1,600	0.32%	2.1
101	700	1,700	1,700	0.34%	2.4
...
250	750	1,800	1,800	0.36%	2.7
		TOTAL	500,000	100%	≥ 500



Table - illustrative example of a two-for-one share sub-division effective from 100th day

*MB Rules 8.05(2)(d), 8.05(3)(d), 8.09(2), 9A.02(1) and 9B.03(2)
GEM Rule 9.24*

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4. How can a GEM issuer confirm (for the purpose of meeting the requirement of MB Rule 9A.02(3)) if there is an open Exchange investigation into its compliance, before it submits a transfer application?

The Exchange will, upon the request of a GEM issuer, provide the GEM issuer with a written confirmation on whether it fulfills the requirement under MB Rule 9A.02(3) as at the date of such confirmation.

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.

*MB Rule 9A.02(3)
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5. What factors would the Exchange take into consideration in assessing whether a breach of the Listing Rules by a GEM issuer is “serious” for the purpose of assessing its eligibility for a transfer to the Main Board?

The Exchange normally considers the following factors:

- (i) The nature, extent, duration and frequency of the breach (e.g. 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 GEM Rule 17.10); and
- (ii) Whether there is evidence that the breach involves fraud, deceit or dishonesty, is intentional or due to recklessness, or reveals material or systemic weaknesses in the issuer’s internal control procedures.

MB Rule 9A.02(3)

GEM Rule 17.10

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6. Can a GEM issuer fulfil the compliance record requirement of MB Rule 9A.02(3) if it was held to have committed a serious breach of the Listing Rules that was subsequently overturned by the GEM Listing Review Committee / Listing Review Committee?

Yes.

In addition, a GEM issuer may apply for a transfer under MB Chapters 9A and 9B in each of the following scenarios: (i) if investigations by the Exchange are not leading or have not led to any disciplinary proceedings; or (ii) upon conclusion of the disciplinary proceedings where there is no finding of any serious breach of the Listing Rules.

MB Rule 9A.02(3)

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Transfer process

7. Will the Exchange allow existing shares to be traded on GEM, while new shares (issued on or before the transfer of listing) being traded on the Main Board (i.e. parallel trading)?

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.

MB Rules 9A.11 and 9B.02

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8. Will trading in the shares of a GEM issuer be halted or suspended at any time during the transfer process?

GEM issuers are required to observe the trading halt or suspension policy and the general disclosure obligations under the GEM Rules as long as they are still listed on GEM. A GEM issuer 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 promptly.

*MB Rules 9B.08 and 11.04
GEM Rules 9.26, 17.10, 17.11A(1) to (3)
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After transfer to the Main Board

9. Where a GEM issuer has successfully transferred its listing to the Main Board, will it still be held accountable for breaches of the Listing Rules committed when it was listed on GEM?

Yes.

*GEM Rule 3.10
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