

Consultation Paper

# GEM Listing Reforms



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## How to respond to this Consultation Paper

The Exchange, a wholly-owned subsidiary of HKEX, invites written comments on the matter discussed in this paper, or comments on related matters that might have an impact upon the matter discussed in this paper, on or before 6 November 2023.

To submit written comments please complete the questionnaire that can be accessed via the link and QR code below.

Link: [https://surveys.hkex.com.hk/jfe/form/SV\\_5bUiTaXv4leAePA](https://surveys.hkex.com.hk/jfe/form/SV_5bUiTaXv4leAePA)

QR code:



Our submission enquiry number is (852) 2840 3844.

Respondents are reminded that we will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in **Appendix V**.

Submissions received during the consultation period by 6 November 2023 will be taken into account before the Exchange decides upon any appropriate further action and a consultation conclusions paper will be published in due course.

## Disclaimer

HKEX and/or its subsidiaries have endeavoured to ensure the accuracy and reliability of the information provided in this document, but do not guarantee its accuracy and reliability and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracy or omission or from any decision, action or non-action based on or in reliance upon information contained in this document.

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# EXECUTIVE SUMMARY

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## Purpose

1. The Exchange provides companies with a platform to offer their securities to investors and then provides the means for investors to trade those securities. In conducting this GEM review we have been mindful of the need to strike a balance between facilitating capital raising opportunities for issuers and protecting the interests of GEM investors, many of whom are individuals.<sup>1</sup> We believe this balance to be essential to GEM's long term success.
2. This Consultation Paper requests market feedback on proposed changes to the Listing Rules that have resulted from our review.

## Background

### The recent decline in GEM listing activity

3. Since 2019, the number of new listings and funds raised on GEM have significantly declined. In 2022 no new issuers listed on GEM and existing listed issuers raised only HK\$2.7 billion in funds. We believe that the following factors have contributed to this decline.

### COVID-19 pandemic

4. GEM has historically attracted issuers that derive the majority of their revenue from Hong Kong (46% of GEM Issuers)<sup>2</sup> and so are sensitive to Hong Kong economic conditions. The financial performance of such issuers would have been severely hampered by pandemic-related disruptions, including: reduced consumer spending; supply chain challenges; and operational restrictions. Consequently, fewer businesses would have been able to meet our eligibility requirements to list on GEM.

### Alternative choice of SME listing venues

5. Approximately a third of GEM issuers derive the majority of their revenue from Mainland China (33%).<sup>3</sup> In November 2021, the BSE was launched as the third stock exchange in

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<sup>1</sup> As of 31 December 2022, an average 40% of issued GEM shares were held by individuals (including insiders such as officer and director owners as well as former directors or high net worth individuals who do not own an investment vehicle). Source: S&P Capital IQ (accessed 7 September 2023).

<sup>2</sup> Based on the geographical location from which the majority of revenue was derived in the latest audited financial year as of 31 December 2022. Source: Bloomberg (accessed 6 September 2023).

<sup>3</sup> Source: Bloomberg (accessed 6 September 2023).

Mainland China “positioned to serve innovative SMEs”.<sup>4</sup> This means that Mainland issuers seeking a listing now have a broader choice of complementary venues on which to list. As of 31 August 2023, 145 issuers have conducted IPOs on the BSE raising a total of RMB28.6 billion in funds.<sup>5</sup>

## Stakeholder feedback

6. The Exchange has engaged with a broad range of stakeholders to hear their concerns regarding GEM and develop proposals to address those concerns. These stakeholders included industry associations, professional bodies and industry practitioners (e.g. law firms, sponsor firms and investment managers) in Hong Kong, including many that represent SMEs.
7. Given the recent success of the BSE in attracting SME listings<sup>6</sup> and its higher market liquidity,<sup>7</sup> we also solicited views from Mainland Institutional SME Investors that actively invest in BSE listed issuers as to how our GEM Listing Rules could be improved.<sup>8</sup> We set out their key comments in **Chapter 2**.

## Initial eligibility tests

8. SME stakeholders thought that the minimum eligibility thresholds for listing on GEM are too high and that this unnecessarily barred some SMEs from listing. Also, some buy-side stakeholders commented that our requirement that GEM applicants demonstrate a track record of positive operating cash flow may prevent the listing of companies with high growth potential that do not have such a track record because they are engaged heavily in R&D.

## Listing cost

9. The high cost of listing on GEM was also a common reason that SMEs and their representatives gave for the decline in GEM listings. They thought that the listing expenses of some GEM issuers were often disproportionately high compared to the amount of funds that they could raise by listing.<sup>9</sup> This meant that, for many potential applicants, the cost of

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<sup>4</sup> BSE [website](#) (Simplified Chinese version only), accessed 9 August 2023.

<sup>5</sup> Source: BSE [website](#) and WIND (as of August 2023).

<sup>6</sup> Since the launch of the BSE in November 2021, the number of issuers listed on the BSE has more than doubled, from 81 to 216 by the end of August 2023. This growth has resulted in a combined market capitalisation of RMB 255 billion (HK\$281 billion).

<sup>7</sup> The average daily turnover of equity securities listed on the BSE was more than seven times higher than that on GEM for the eight-month period ending on 31 August 2023.

<sup>8</sup> The Mainland investors we talked to comprised four securities firms with holdings in listed issuers on the BSE and eight investment managers which have established funds that invest in those issuers.

<sup>9</sup> Issuers that listed on GEM in 2019 or later incurred expenses that represented 52% of the gross funds raised on average (ranging between 25% and 83%).

listing outweighed the benefits of doing so. Some stakeholders also commented that GEM's quarterly financial reporting requirement substantially increased the compliance costs for GEM issuers relative to Main Board issuers.

## **Lack of streamlined transfer mechanism**

10. Many SME stakeholders we met thought that the Exchange's removal of the GEM Streamlined Process in 2018 (see paragraph 20) had dissuaded issuers from listing on GEM and had instead incentivised them to remain private until such time that they met the eligibility criteria for listing directly on the Main Board.

## **Investor protection**

11. We were also told by Mainland Institutional SME Investors that the Exchange should maintain high listing eligibility requirements and continuing obligations to help ensure protection for investors. They thought that this would help boost investor confidence in the market as a whole.

## **HKEX's commitment to SME listings**

12. SMEs have long been considered the backbone of the Hong Kong economy, driving innovation, employment, and economic growth. SMEs account for more than 98% of businesses and about 45% of employment in Hong Kong.<sup>10</sup>
13. We recognise that we are a source of funding (amongst others) for SMEs seeking long-term capital to sustain their innovation, value creation and growth by securing financial resources.<sup>11</sup> We wish to continue to nurture the development of companies across a broad range of sizes and have undertaken a suite of initiatives designed to bolster the support we provide to issuers, start-up enterprises, and entrepreneurs (see paragraph 39).
14. Encouraging and facilitating SME listings will continue to be a key priority for the Exchange. We stated in our 2021 Consultation Conclusions that we would launch this review of GEM to consider GEM's positioning, market perception, and viability as an alternative to the Main Board (see paragraph 42).<sup>12</sup> We are committed to providing a supportive environment where SMEs can thrive, ultimately contributing to the continued prosperity of both Hong Kong and the global economy.

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<sup>10</sup> Based on data as of March 2021. See the Trade and Industry Department's [website](#) on SME, which defines SMEs as manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons in Hong Kong.

<sup>11</sup> Organisation for Economic Co-operation and Development, [New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments](#), paragraph 458, 28 October 2015.

<sup>12</sup> See the [Consultation Conclusions on the Main Board Profit Requirement \(May 2021\)](#), paragraph 26.

## Proposals

15. To address the key issues identified during our stakeholder engagement, including the feedback we received on the importance of investor protection, the Exchange has developed proposals to reform the Listing Rules. Our three main proposals are summarised below.

### **New alternative eligibility test**

16. We agree with stakeholders' comments that GEM's current eligibility requirements may prevent the listing of companies with high growth potential that do not have a sufficient track record of positive operating cash flow for the current listing requirements because they are engaged heavily in R&D. We propose to create a path to listing for such companies as their growth potential may offset the additional risks of investing in small-cap companies.
17. For this purpose, we propose to introduce a new financial eligibility test (referred to as the **"market capitalisation/ revenue/ R&D test"**) targeting high growth enterprises that are heavily engaged in R&D activities.<sup>13</sup> GEM listing applicants using this new test must have:
  - (a) an adequate trading record of at least two financial years;
  - (b) an expected market capitalisation of at least HK\$250 million at the time of listing;
  - (c) revenue of at least HK\$100 million in aggregate for the two most recent audited financial years, with year-on-year growth over the two financial years; and
  - (d) incurred R&D expenditure of at least HK\$30 million in aggregate for the two financial years prior to listing, where the R&D expenditure incurred for each financial year must be at least 15% of its total operating expenditure for the same period.

### **Removal of mandatory quarterly reporting requirement**

18. To help address stakeholders' concerns regarding the ongoing compliance costs of a GEM listing, we propose to align GEM's periodic reporting requirements with those for Main Board issuers by removing the mandatory quarterly reporting requirement for GEM issuers.
19. The requirement for GEM issuers to produce quarterly reports was implemented at the launch of GEM, in 1999, when it was positioned as a market for companies at an early stage of their development. The requirement was consistent with the disclosure based "buyer

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<sup>13</sup> We propose that the new test be provided as an alternative choice for issuers seeking a GEM listing. The existing GEM cash flow base test will remain unchanged and continue to be available for use.

beware” philosophy of GEM’s initial regulatory approach.<sup>14</sup> Today, GEM listing applicants are usually well established with a long history of operations at the time of their application. Also, GEM and Main Board Listing Rule requirements have converged following previous reforms over the years (See Table 5 in **Appendix I**). Accordingly, there may be less of a need to require them to report more frequently than Main Board issuers.<sup>15</sup>

## **New streamlined transfer mechanism**

20. In February 2018, following public consultation,<sup>16</sup> the GEM Streamlined Process was abolished in light of comments that “the process may provide an opportunity for regulatory arbitrage between the Main Board and GEM which potentially impacts the overall quality of the Hong Kong market”. It was noted, amongst other concerns, that the GEM Streamlined Process “may have led to an increase in the number of potential shell companies listed on GEM”.<sup>17</sup> Due to market quality reforms implemented by the Exchange and the SFC, these shell activities have largely ceased.
21. For this reason, and in response to SME stakeholders’ concerns, we propose to implement a streamlined mechanism with modified eligibility requirements. The proposed requirements for a streamlined transfer, compared against the existing requirements, are set out in Table 1 below:

**Table 1: An overview comparison between the proposed requirements under the streamlined approach for a transfer of listing from GEM to the Main Board and existing requirements**

	<b>Existing requirements<sup>18</sup></b>	<b>Proposed requirements under the streamlined approach for a transfer of listing from GEM to the Main Board</b>
<b>A. Qualifications for transfer</b>	The transfer applicant must: (a) meet all the qualifications for listing on the Main Board;	The transfer applicant must: (a) meet all the qualifications for listing on the Main Board;

<sup>14</sup> See the [Consultation Paper on a Proposed New Market For Emerging Companies \(May 1998\)](#), Executive Summary, paragraph 6.

<sup>15</sup> In 2017 we found that, on average, GEM applicants had been in operation for 15 years at the time of their listing. See the [Consultation Paper on the Review of Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \(June 2017\)](#), paragraph 18.

<sup>16</sup> See the [Consultation Paper \(June 2017\)](#) and the [Consultation Conclusions \(December 2017\)](#) on the Review of Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules.

<sup>17</sup> See the [Consultation Paper on Review of the Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \(June 2017\)](#), paragraph 12.

<sup>18</sup> Chapter 9A of Main Board Listing Rules.

	Existing requirements <sup>18</sup>	Proposed requirements under the streamlined approach for a transfer of listing from GEM to the Main Board
	<p>(b) have published its financial results for the <b>first full financial</b> year commencing after the date of its initial listing on GEM; and</p> <p>(c) in the 12 months preceding the transfer application and until the commencement of dealings in its securities on the Main Board, not have been the subject of any disciplinary investigation by the Exchange in relation to a serious breach or potentially serious breach of any Listing Rules.</p>	<p>(b) comply with the Exchange’s requirement in respect of its financial results for the <b>three full financial years</b> as a GEM listed issuer prior to its transfer, with (i) ownership continuity and control, and (ii) no fundamental change in its principal business, throughout that period;</p> <p>(c) have reached the <b>Minimum Daily Turnover Threshold</b><sup>19</sup> on <b>at least 50% of the trading days over the Reference Period</b><sup>20</sup> (the “<b>Daily Turnover Test</b>”);</p> <p>(d) have a <b>volume weighted average market capitalisation over the Reference Period</b> that could meet the minimum market capitalisation requirement for listing on the Main Board (the “<b>Volume Weighted Average Market Capitalisation Test</b>”); and</p> <p>(e) (i) not have been held to have committed a serious breach of any Listing Rules in the 12 months preceding the transfer application and until the commencement of dealings in its securities on the Main Board; and (ii) not be the subject of any investigation by the Exchange, or any ongoing disciplinary proceedings under Chapter 3 of the GEM Listing Rules, in relation to a serious breach or potentially serious breach of, any Listing Rules as at the date of the transfer application and the date when dealing in its securities commences on the Main Board.</p>
<b>B. Sponsor appointment/ due diligence</b>	A sponsor must be appointed at least two months before the submission of a transfer application.	A transfer applicant will <u>not</u> be required to appoint a sponsor to conduct due diligence for its transfer.

<sup>19</sup> Either HK\$100,000 or HK\$50,000. See paragraph 121.

<sup>20</sup> The Reference Period refers to the 250 trading days immediately preceding the transfer application and until the commencement of dealings in its securities on the Main Board. For this purpose, the reference to “trading days” excludes the number of trading days on which trading of the applicant’s securities were halted or suspended. See paragraph 120.

	Existing requirements <sup>18</sup>	Proposed requirements under the streamlined approach for a transfer of listing from GEM to the Main Board
<b>C. Publication of a listing document</b>	A transfer applicant is required to issue a “prospectus-standard” listing document to ensure appropriate due diligence is performed and full disclosure is made (without being required to conduct an offering).	A transfer applicant will <u>not</u> be required to issue a “prospectus-standard” listing document. A transfer applicant will only be required to submit certain application documents as required by the Exchange.
<b>D. Transfer announcement</b>	Not applicable	The transfer applicant will be required to publish an announcement as soon as practicable before the intended date dealings in the issuer’s shares on the Main Board are expected to commence. Such announcement should be pre-vetted by the Listing Division.

22. Additional proposals, including the alignment of GEM compliance officer and compliance adviser requirements with those of the Main Board and an exemption from the Main Board initial listing fee for GEM transferees, are set out in **Chapter 3**.

### Limitation of our proposals

23. We acknowledge that our proposals may not address all of the concerns of every stakeholder. In particular, our proposals will not significantly reduce the cost of an application to list on GEM. As we explain in **Chapter 2** (see paragraph 57), the listing expenses of an average GEM listing applicant mostly comprise market practitioner fees. However, our proposals should result in a reduction in the cost of maintaining a GEM listing and the cost of transfer to the Main Board.
24. We are also mindful of our duty to act in the best interests of the market as a whole, and in the public interest, and to ensure that investors should have and can maintain confidence in our markets. This is also consistent with Mainland Institutional SME Investors’ comments regarding the importance of investor protection. Consequently, we do not propose to remove requirements that may compromise that duty, such as the removal or lowering of the existing operating cash flow requirement for listing on GEM or the removal of the requirement that an applicant engage a sponsor or publish a listing document for the purpose of its listing on GEM.

## **Request for Comment**

25. We would like to invite public comments on the proposals. Responses to this Consultation Paper should be submitted to us by 6 November 2023. When providing your comments, please give reasons for your views.

## **Next Steps**

26. The Exchange will take into account responses and comments to this paper before deciding upon any further appropriate action and publishing a conclusions paper.

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# CHAPTER 1: BACKGROUND

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## Market Quality Reforms

27. In February 2018, following public consultation,<sup>21</sup> the previous GEM Streamlined Process was abolished due to a concern that GEM's lower admission requirements, compared with those of the Main Board, may have been exploited by certain companies to access the Hong Kong capital markets for the premium attached to a listing status (rather than to develop their businesses) and this may have led to an increase in the number of listed shell companies.
28. These activities have largely ceased in light of other actions the Exchange and the SFC have taken in past years. These actions include:
- (a) increases in the minimum profit and market capitalisation thresholds for listing on the Main Board that mean an applicant must demonstrate a higher level of financial performance to be listed on the board;<sup>22</sup>
  - (b) the introduction of a more robust delisting framework<sup>23</sup> for long-suspended issuers,<sup>24</sup> to facilitate the timely delisting of issuers that no longer meet continuing listing criteria, thereby reducing the number of listed shell companies and discouraging the listing of new ones;
  - (c) enhancements of the reverse takeover rules and continuing listing criteria<sup>25</sup> to reduce

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<sup>21</sup> See the [Consultation Paper \(June 2017\)](#) and the [Consultation Conclusions \(December 2017\)](#) on the Review of Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules.

<sup>22</sup> The minimum market capitalisation thresholds for listing on the Main Board and GEM were increased as part of the 2018 Market Quality Reforms, and the minimum profit thresholds for listing on the Main Board (under the profit test) were increased following the 2021 Consultation Conclusions. See **Appendix I** to this paper for details of these amendments.

<sup>23</sup> This includes: (a) adding a separate delisting criterion to allow the Exchange to delist an issuer after a trading suspension of 18 continuous months (or, for GEM issuers, 12 continuous months); and (b) allowing the Exchange to publish a delisting notice stating its right to delist an issuer if the issuer fails to resume trading within the period specified in the notice, or to delist the issuer immediately in appropriate circumstances.

<sup>24</sup> See the [Consultation Paper \(September 2017\)](#) and the [Consultation Conclusions \(May 2018\)](#) on delisting and other Rule amendments.

<sup>25</sup> Key amendments include: (a) in respect of backdoor listing, amending the definition of reverse takeover to codify two of the HKEX Guidance Letters (HKEX-GL78-14 (Guidance on application of the reverse takeover requirements under Rule 14.06(6) (GEM Rule 19.06(6))); and HKEX-GL84-14 (Guidance on Cash Company Rules)) and modify the bright line tests to apply to very substantial acquisitions from an issuer's controlling shareholder within 36 months from a change in control of the issuer, and tightening the compliance requirement for reverse takeovers and extreme transactions; and (b) in respect of continuing listing criteria, amending MB Rule 13.24 (and GEM Rule 17.26) on sufficient operations to require an issuer to carry out a business with a sufficient level of operations and to have assets of sufficient value to support its operations to warrant its continued listing, and amending MB Rules 14.82 and 14.83 (and GEM Rules 19.82 and 19.83) in relation to cash companies.

so-called “backdoor listings” and shell activities, and remove the incentive for a company to list with the purpose of conducting such a transaction; and

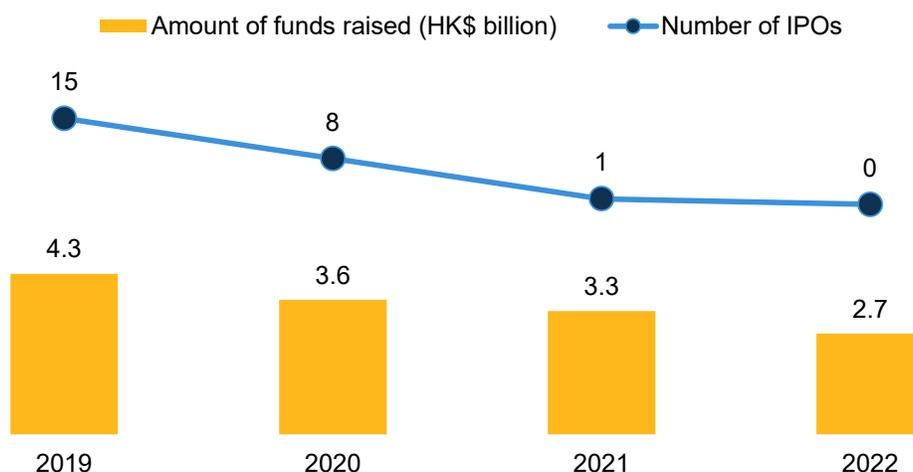
- (d) joint efforts by the SFC and the Exchange to curb market misconduct at IPO (e.g. the use of nominee accounts for the purpose of creating false demand).<sup>26</sup>

29. When conducting this review we have also taken into account the need to find a balance between facilitating listings and investor protection. This is consistent with our duty to act in the best interests of the market as a whole, and in the public interest, and to ensure that investors should have and can maintain confidence in our markets. It is also consistent with the concerns raised by the Mainland Institutional SME Investors we consulted (see paragraph 45).

## Recent GEM Listing Performance

30. Since 2019, the number of new listings and funds raised on GEM have significantly declined (see Figure 1).

**Figure 1: Number of IPOs and funds raised (IPO and post-IPO) on GEM since 2019**



Source: HKEX

Note: The amount of funds raised included IPO financing raised by way of subscription, sales and placing, and post-IPO fundraising.

<sup>26</sup> See the [joint statement regarding the price volatility of GEM stocks](#) by the SFC and the Exchange on 20 January 2017 providing guidance on SFC’s regulatory approach to GEM applications, and the [statement on the SFC’s approach to backdoor listings and shell activities](#) by the SFC on 26 July 2019 to explain the general approach of the SFC to cases involving backdoor listings and shell activities.

## Profile of GEM issuers

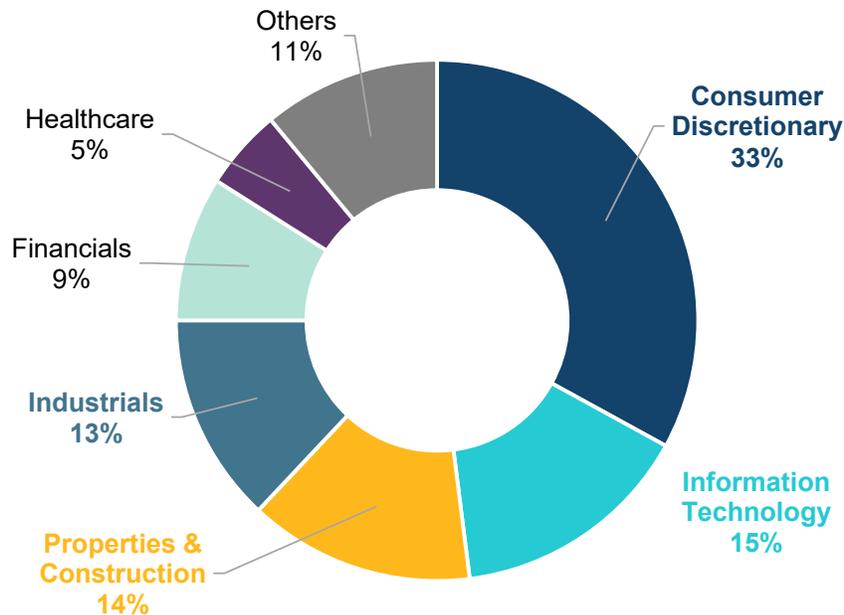
### GEM issuers by geographical origin

31. A significant number of issuers listed on GEM derive the majority of their revenue from Hong Kong (46%), followed by Mainland China (33%) and other regions (21%).<sup>27</sup>

### GEM issuers by industry

32. Most GEM issuers (75%) belong to one of four industries: Consumer Discretionary, Information Technology, Properties & Construction, and Industrials (see Figure 2).

**Figure 2: GEM industry distribution as at 31 December 2022**



Source: HKEX and Hang Seng Indexes Company Limited

Note: Based on the industry classification of GEM issuers under the Hang Seng Industry Classification System as at 31 December 2022.

## COVID-19 pandemic

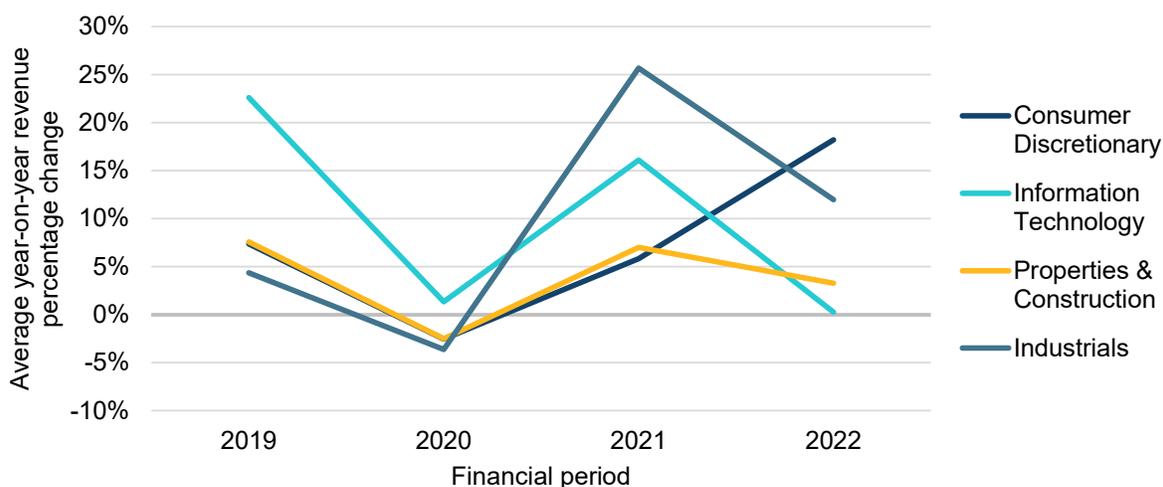
33. The COVID-19 pandemic (2020 to 2022) had a significant impact on the financial performance of businesses in the four industries to which most GEM issuers belong (see paragraph 32). Their financial performance was severely hampered by pandemic-related disruptions, including primarily: reduced consumer spending; supply chain challenges; and

<sup>27</sup> Source: Bloomberg (accessed 6 September 2023).

operational restrictions.<sup>28</sup> As illustrated in Figure 3 below, GEM issuers in these industries generally experienced slowing revenue growth in years 2020 and 2022 with only a temporary recovery in 2021 driven by stronger merchandise exports and improving domestic demand.<sup>29</sup>

34. The total market capitalisation of GEM issuers in these four industries have also dropped by an average of 39% since 2019 (see Figure 4).
35. Issuers applying to list on GEM must demonstrate a minimum track record of cash flow over two years and meet a minimum market capitalisation threshold. Due to the effect of the COVID-19 pandemic, we anticipate that fewer businesses would have been able to meet our eligibility requirements to list on GEM.

**Figure 3: Average year-on-year percentage change in revenue of GEM issuers in selected industries since 2019**

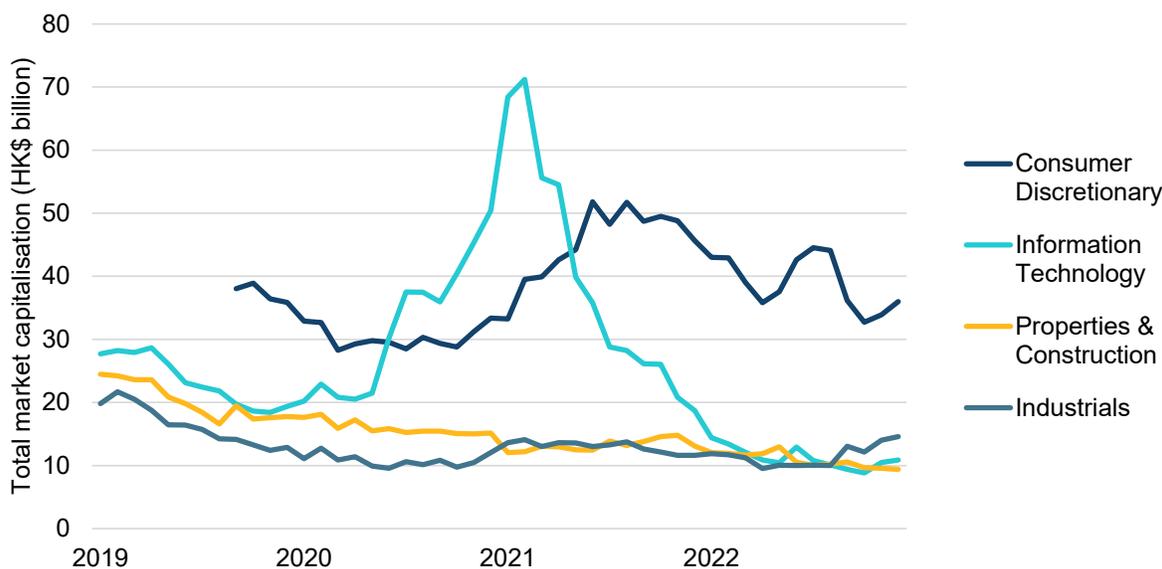


Source: S&P Capital IQ (accessed 4 August 2023) and Hang Seng Indexes Company Limited

<sup>28</sup> The Hong Kong Retail Management Association, [HKRMA Responses on 2021 December and the Whole Year of 2021 Retail Sales Figure](#) (Chinese version only), 31 January 2022.

<sup>29</sup> Consumer Discretionary GEM issuers average year-on-year revenue growth rose to 18% in 2022 thanks to the progressive relaxation of social distancing measures and the boosting effect from the Hong Kong Government's countercyclical measures. Hong Kong Monetary Authority, [2021 Annual Report](#), page 65 (last revised on 24 June 2022) and Hong Kong Monetary Authority, [2022 Annual Report](#), page 61 (last revised on 28 April 2023).

**Figure 4: Total market capitalisation of GEM issuers in selected industries since 2019**



Source: HKEX and Hang Seng Indexes Company Limited

Note: “Consumer Discretionary” was established as a new industry under the Hang Seng Index Classification System on 9 September 2019, together with “Consumer Staples” and “Healthcare” industries, to replace “Consumer Goods” and “Consumer Services” industries. See Hang Seng Indexes Company Limited’s [technical notice](#) on 28 March 2019.

### Alternative choice of SME listing venues

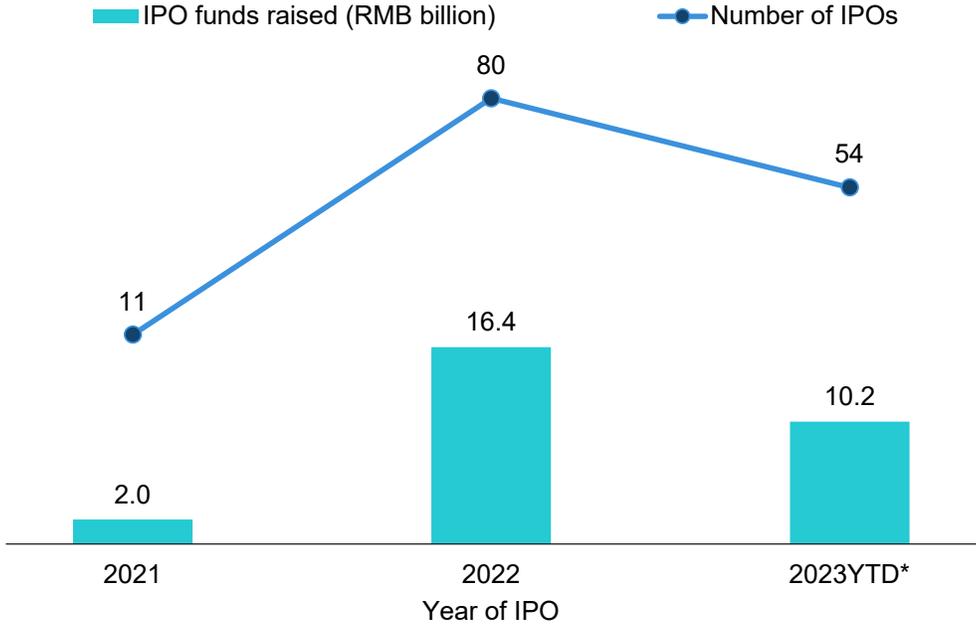
36. Approximately a third of GEM issuers derive the majority of their revenue from Mainland China (33%).<sup>30</sup> In November 2021, the BSE was launched as a market dedicated to listing “innovative SMEs”.<sup>31</sup> This has meant that Mainland SMEs are now able to choose a broader range of venues on which to list. GEM complements those listing venues as it is a market that enables Mainland SMEs to raise foreign capital (e.g. for overseas expansion).
37. The BSE has had a relatively strong IPO and fundraising performance since its launch in November 2021. As of 31 August 2023, a total of 145 issuers have conducted IPOs on the BSE and raised RMB28.6 billion (HK\$31.5 billion).<sup>32</sup>

<sup>30</sup> Source: Bloomberg (accessed 6 September 2023).

<sup>31</sup> BSE [website](#) (Simplified Chinese version only), accessed 9 August 2023.

<sup>32</sup> BSE [website](#) and WIND (as of August 2023).

**Figure 5: Fundraising activities on the BSE since its launch on 15 November 2021**



Source: BSE website and WIND (as of August 2023)

Note: Excluding transfers from the NEEQ Select Market at the BSE's launch. \* Up to 31 August 2023.

## HKEX's Commitment to SMEs

38. SMEs have long been considered the backbone of the Hong Kong economy, driving innovation, employment, and economic growth. Globally, SMEs represent about 90% of businesses and more than 50% of employment.<sup>33</sup> In Hong Kong, SMEs account for more than 98% of businesses and about 45% of employment.<sup>34</sup>
39. We recognise that we are a source of funding (amongst others) for SMEs seeking long-term corporate investment to sustain their innovation, value creation and growth by securing financial resources.<sup>35</sup> We have undertaken a suite of initiatives designed to bolster the support we provide to issuers, start-up enterprises and entrepreneurs. These initiatives include:
- (a) **Connection programmes:** bringing together various stakeholders to facilitate collaboration, innovation, and growth in start-ups and SMEs, such as JUMPSTARTER 2023, Hong Kong FinTech Week and GBA Fintech Talent Initiative; and
  - (b) **IR Connect:** a digital investor relations platform launched in July 2022 for Hong Kong-listed issuers to develop and manage their investor relations activities, enhancing their outreach and visibility within the investment community.<sup>36</sup>
40. We wish to ensure that our market offers a broad spectrum of investment options. Providing investors with access to SME listings forms an important part of our goal of enabling investors to diversify their investment portfolios effectively. We are also mindful that issuers list on GEM for multiple reasons. While many companies seek a listing to raise funds to grow their businesses, others may be influenced by factors such as the reputational benefits of a listing status or succession planning.
41. We continue to implement innovative listing reforms that cater for the evolving needs of a broad range of issuers. Encouraging and facilitating SME listings will continue to be a key priority for the Exchange. We are committed to providing a supportive environment where SMEs can thrive, ultimately contributing to the continued prosperity of both Hong Kong and the global economy.

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<sup>33</sup> The World Bank, [Small and Medium Enterprises \(SMEs\) Finance](#).

<sup>34</sup> Based on data as of March 2021. See the Trade and Industry Department's [website](#) on SME, which defines SMEs as manufacturing enterprises which employ fewer than 100 persons and non-manufacturing enterprises which employ fewer than 50 persons in Hong Kong.

<sup>35</sup> Organisation for Economic Co-operation and Development, [New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments](#), paragraph 458, 28 October 2015.

<sup>36</sup> HKEX, [HKEX Launches New Investor Relations Portal, IR Connect](#), 6 July 2022.

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## CHAPTER 2: STAKEHOLDER FEEDBACK

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### Stakeholder Engagement

42. On 20 May 2021, the Exchange concluded its consultation on amendments to the Main Board Profit Requirement.<sup>37</sup> Some respondents to that consultation considered that GEM was no longer a viable listing platform for SMEs and traditional companies. The Exchange stated that it would launch a review of GEM to consider, amongst other things, comments received regarding GEM's positioning, market perception, and viability as an alternative to the Main Board.<sup>38</sup>
43. Investors of GEM issuers include a variety of types of institutions,<sup>39</sup> corporates<sup>40</sup> and individuals.<sup>41</sup> <sup>42</sup> The average proportion of issued shares held by these investors are 7.3%, 39.2%, and 40.4%, respectively.<sup>43</sup>
44. As part of its review, the Exchange has met with a broad range of stakeholders to hear their concerns regarding GEM and develop proposals to address those concerns. These stakeholders included industry associations, professional bodies and industry practitioners (e.g. law firms, sponsor firms and investment managers) in Hong Kong.
45. We have also solicited views from Mainland Institutional SME Investors that actively invest in BSE listed issuers as BSE has had recent success in attracting SME listings and has also demonstrated much higher trading liquidity than GEM. The number of BSE listed issuers more than doubled (from 81 to 216) between its launch and the end of August 2023.<sup>44</sup> The average daily turnover of equity securities listed on the BSE is more than seven times higher than that of GEM.<sup>45</sup>

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<sup>37</sup> See the [Consultation Paper \(November 2020\)](#) and the [Consultation Conclusions \(May 2021\)](#) on the Main Board Profit Requirement.

<sup>38</sup> See the [Consultation Conclusions on the Main Board Profit Requirement \(May 2021\)](#), paragraph 26.

<sup>39</sup> Institutional shareholders include: traditional investment managers; venture capital / private equity firms; hedge fund managers; family offices / family trusts; banks / investment banks; insurance companies; real estate investment managers; sovereign wealth funds; charitable foundations; company controlled foundations; educational / cultural endowments; and pension plan sponsors.

<sup>40</sup> Corporates refer to public and private companies (excluding investment firms) that have ordinary share ownership in the issuer.

<sup>41</sup> These individuals include insiders such as the officer and director owners as well as former directors or high net worth individuals who do not own an investment vehicle.

<sup>42</sup> Out of 340 GEM issuers, 43 (13%), 162 (48%), and 297 (87%) have disclosed shareholdings by institutional investors, corporates and individuals.

<sup>43</sup> Based on issuers with disclosed shareholdings held by each type of investor (as of 31 December 2022). Source: S&P Capital IQ (accessed 7 September 2023).

<sup>44</sup> This growth has resulted in a combined market capitalisation of RMB 255 billion (HK\$281 billion).

<sup>45</sup> Source: HKEX and BSE [website](#) (for the eight-month period ending 31 August 2023).

# Initial Listing Requirements

## Existing eligibility requirements

46. SME stakeholders considered that the minimum eligibility thresholds for listing on GEM are too high and uncompetitive, and, in turn, increased the cost of listing for SMEs (see also paragraph 56 below). They believed this unnecessarily barred some SMEs from listing, and therefore suggested lowering the relevant financial eligibility test thresholds to attract more listings from SMEs.
47. The Mainland Institutional SME Investors thought that GEM's listing eligibility requirements were already low compared to peer exchanges. They generally disagreed with lowering the listing eligibility requirements, as they thought this may negatively affect market quality and investor confidence in the market as a whole.
48. Some stakeholders thought that Hong Kong's strategic position as an international financial centre and the portal to Mainland China would allow it to cultivate a home-grown pipeline of SME issuers from the GBA. They suggested that the Exchange should aim to facilitate high quality enterprises from different industries in the GBA to list and raise funds in Hong Kong.
49. A comparison of GEM's initial listing requirements and those of junior peer exchanges is set out in **Appendix II** to this paper.

## Alternative eligibility requirements

50. GEM's positive cash flow requirement prevents the listing of companies with high growth potential that do not have a track record of positive operating cash flow because they are engaged heavily in R&D. Providing a path to listing for such companies would provide them with greater fund raising opportunities to grow their business. Mainland Institutional SME Investors also commented that their growth potential may offset the additional risks of investing in small-cap companies.
51. It was noted that the BSE has adopted R&D spending as an initial listing eligibility criterion<sup>46</sup> to support technology and research driven growth companies. Some stakeholders suggested that the Exchange also introduce an alternative eligibility test to enable the listing of these issuers and use the BSE as a useful benchmark for reference in this regard.

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<sup>46</sup> The BSE offers two sets of listing criteria that cater to the R&D capabilities of companies. Such criteria require, respectively: (a) a minimum market capitalisation of RMB800 million; revenue of not less than RMB200 million in the past year and total R&D expenditure of not less than 8% of total revenue in the past two years; and (b) a minimum market capitalisation of RMB1.5 billion and total R&D expenditure of not less than RMB50 million in the past two years. See **Appendix II** to this paper for details.

## Continuing Obligations

### General approach

52. Some stakeholders believed that the GEM Listing Rules imposed undue and rigid continuing obligations (e.g. connected transaction requirements) that discouraged GEM issuers from pursuing healthy business growth. It was suggested that issuers be given more freedom to engage in legitimate post-listing activities.
53. Conversely, Mainland Institutional SME Investors thought that GEM's current continuing obligations were already looser than those of the exchanges in Mainland China. They were concerned that relaxing these requirements may affect investor confidence.

### Quarterly reporting

54. GEM issuers are required to publish quarterly reports<sup>47</sup> whereas Main Board issuers are required to report on half-year financial periods only. Some stakeholders commented that GEM's quarterly financial reporting requirement substantially increased the compliance costs for GEM issuers relative to Main Board issuers.

## Transfers to the Main Board

55. A considerable number of SME stakeholders asked the Exchange to reinstate the streamlined mechanism for transfer of listing from GEM to the Main Board (see paragraph 5 in **Appendix I** to this paper). They thought that the lack of a streamlined transfer mechanism had dissuaded issuers from listing on GEM and had instead incentivised them to remain private until such time that they met the eligibility criteria for listing directly on the Main Board. They suggested that an efficient and transparent path for GEM issuers to transfer to the Main Board would enhance GEM's attractiveness.

## Cost of Listing

56. The cost of listing on GEM, in terms of listing expenses, process of listing and compliance costs, was considered, by stakeholders we spoke to, particularly high for SMEs relative to the funds raised at listing. For example, issuers that listed on GEM in 2019 or later incurred expenses that represented 52% of the gross funds raised on average (ranging between 25% and 83%).<sup>48</sup>
57. The listing expenses of an average GEM listing applicant comprise the Exchange's initial listing fee as well as market practitioner fees. Our analysis (see Figure 6) shows that:

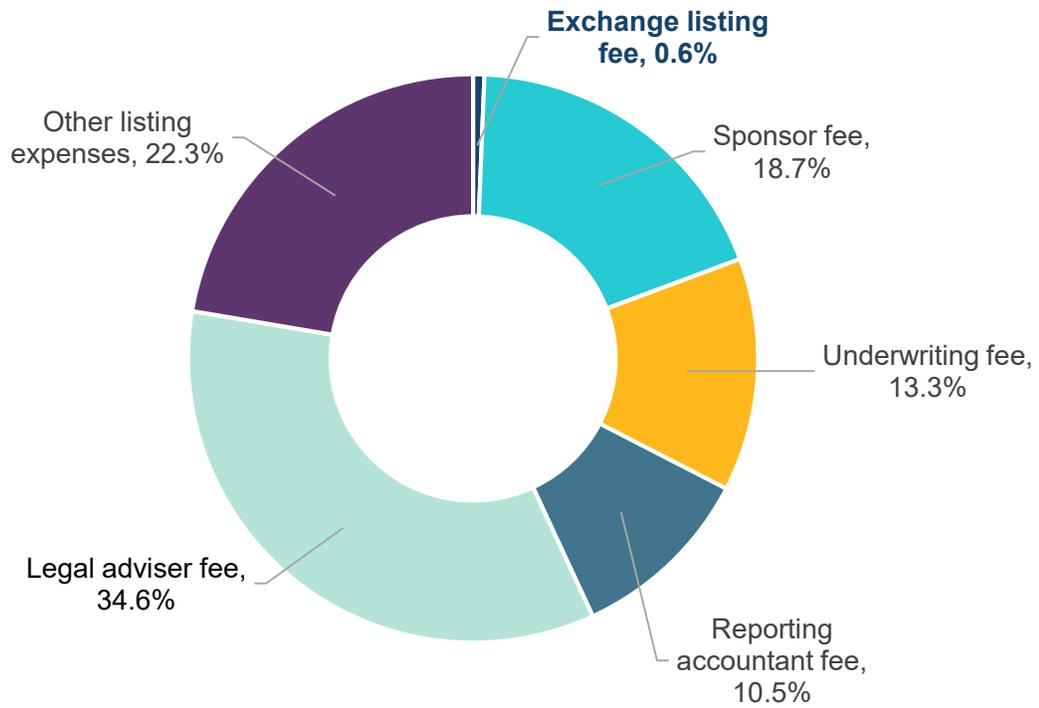
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<sup>47</sup> Under GEM Rule 18.66, GEM issuers are required to publish quarterly reports no later than 45 days after the date upon which the financial period ended.

<sup>48</sup> Based on the listing expenses disclosed in these issuers' listing documents.

- (a) market practitioner fees (including legal adviser, sponsor, underwriting and reporting accountant fees) represent, in aggregate, approximately 75% of all listing expenses; and
- (b) the Exchange's initial listing fee is by far the smallest component, representing less than 1% of all listing expenses.

**Figure 6: Average listing expenses of GEM listing applicants between 2018 and 2022**



*Source: HKEX's internal analysis of GEM listing applicants' submissions to the Exchange*

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## CHAPTER 3: PROPOSALS

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58. To address the key issues identified during our stakeholder engagement (see **Chapter 2** of this paper), the Exchange has developed the following GEM reform proposals.

### I. Initial Listing Requirements

59. GEM's current minimum market capitalisation test<sup>49</sup> is one of the factors we use as an indicator of the sufficiency of investor interest in the trading of an applicant's shares upon its listing. The requirement that a GEM applicant show a track record of minimum positive cash flow<sup>50</sup> prior to listing is one criterion (amongst others) that we use to assess the sustainability of the applicant's business over the long term. Both tests help ensure that the investing public have, and can maintain, confidence in GEM as a market (see paragraph 47).

60. GEM's listing eligibility tests are already low compared to peer exchanges and lower than those of the BSE in Mainland China. For example, GEM listing applicants are not required to meet a net profit and/or net asset threshold as required by the BSE and Nasdaq Capital Market. Consequently, we do not agree with the stakeholder feedback that these tests are uncompetitive (see paragraph 46). A comparison of GEM's initial listing requirements and those of junior peer exchanges is set out in **Appendix II** to this paper.

61. For the above reasons, we do not propose to remove or lower the existing operating cash flow requirement for listing on GEM. However, we agree that GEM's cash flow requirement may prevent the listing of companies with high growth potential that do not have a track record of positive operating cash flow because they are engaged heavily in R&D (see paragraph 50). We agree that a path to listing should be created for such potential growth companies.

62. In particular, we believe that an alternative test has the potential to attract technology and research driven growth companies from the new economy in Hong Kong, the GBA and beyond. These companies are increasingly becoming a key driving force of economic growth.

### Proposals

63. We propose to introduce an alternative financial eligibility test (referred to as the "**market capitalisation/ revenue/ R&D test**") targeting high growth enterprises that are heavily engaged in R&D activities. GEM listing applicants using this new test must have:

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<sup>49</sup> GEM Rule 11.23(6) requires a listing applicant to have an expected market capitalisation of at least HK\$150 million at the time of listing.

<sup>50</sup> GEM Rule 11.12A(1) requires a listing applicant to have a positive cash flow generated from operating activities of at least HK\$30 million in aggregate for the two financial years prior to listing.

- (a) an adequate trading record of at least two financial years;
- (b) an expected market capitalisation of at least HK\$250 million at the time of listing;
- (c) revenue of at least HK\$100 million in aggregate for the two most recent audited financial years, with year-on-year growth over the two financial years; and
- (d) incurred R&D expenditure of at least HK\$30 million in aggregate for the two financial years prior to listing, where the R&D expenditure incurred for each financial year must be at least 15% of its total operating expenditure for the same period.

### **Track record requirement**

64. The proposed minimum operational track record requirement of the proposed test is consistent with the existing requirement for a GEM listing (i.e. a trading record of two full financial years prior to listing).<sup>51</sup> Existing ownership and management continuity requirements (i.e. one-year ownership continuity and two-year management continuity)<sup>52</sup> will apply under this test.

### **Market capitalisation requirement**

65. We propose to apply a higher minimum market capitalisation threshold of **HK\$250 million** for the purpose of this new test (relative to the HK\$150 million threshold required under the existing eligibility test). In doing so, we aim to mitigate the risk of the absence of a track record of cash flow by requiring an applicant to demonstrate a market capitalisation that is representative of more substantial investor support for its financial position and future prospects.

### **Revenue requirement**

66. We propose that GEM applicants meet a minimum revenue threshold of **HK\$100 million**, under the new test, generated, in aggregate, over the two financial year track record period prior to listing.
67. This should address stakeholders' comments that companies with high growth potential and engaged heavily in R&D do not have a sufficient track record of positive operating cash flow to meet the current HK\$30 million cash flow requirement<sup>53</sup> (see paragraph 50). A much higher level of revenue is generally required to meet that cash flow threshold. GEM applicants between 2018 and 2021 that could meet the current cash flow test had, on average, revenue of HK\$317 million, in aggregate, over the two most recent audited financial years prior to listing. We also based this minimum revenue threshold on our

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<sup>51</sup> GEM Rule 11.12A(1).

<sup>52</sup> GEM Rules 11.12A(2) and 11.12A(3).

<sup>53</sup> Before changes in working capital and taxes paid.

analysis of profiles of SME issuers listed on Selected Overseas Junior Markets.<sup>54</sup>

68. Further, a minimum revenue threshold helps ensure that: (a) the GEM listing applicant has fully commercialised its products and/or services; and (b) its revenue growth over the track record period is meaningful. We expect a GEM listing applicant to have fully commercialised its products and/or services to mitigate the higher risk of corporate failure to which such applicant would be subject if it had yet to commercialise and was unable to secure sufficient external funding to support its operations.
69. A listing applicant would also be required to demonstrate that its revenue in the second year is higher than that in the first year during the two-year track record period.

### **R&D requirement**

70. We propose that GEM applicants meet a minimum R&D expenditure threshold of **HK\$30 million**, under the new test, in aggregate, over the two financial year track record period prior to listing. We chose this threshold based on our analysis of profiles of SME issuers listed on comparable junior markets.<sup>55</sup>
71. We also propose that applicants meet a minimum R&D expenditure ratio (the ratio of R&D expenditure to total operating expenditure) of **15%** for each of the two financial years over the track record period. This is the same ratio that is applied to Commercial Companies by the Exchange's listing regime for Specialist Technology Companies,<sup>56</sup> which we consider indicates a level of resource allocation towards R&D that is sufficient to support a GEM listing applicant's growth.
72. For the purpose of our proposed R&D requirement, we also propose to adopt the same meaning of "R&D expenditure" and "total operating expenditure" as defined in our Guidance on Specialist Technology Companies.<sup>57</sup> We set out the proposed methodology in Box 1 below.

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<sup>54</sup> We note that the median of the aggregate revenue generated by small and mid-sized issuers Nasdaq Capital Market issuers (with R&D expenditure ratio of at least 15%) for FY2021 and FY2022 was HK\$117 million. The Nasdaq Capital Market is the lowest of the three Nasdaq market tiers with the least stringent initial financial and liquidity requirements. Please also see **Appendix II** to this paper for the detailed requirements of Nasdaq Capital Market. We also looked at the latest revenue generated by small and mid-sized issuers on the BSE but considered that this might not be an appropriate benchmark. This is because one of the BSE's listing standards includes a revenue requirement of RMB100 million on average for the latest two financial years (i.e. HK\$232 million in aggregate for the two years) and this may have resulted in BSE issuers generating substantial revenue.

<sup>55</sup> Our analysis covers commercialised issuers listed on Nasdaq Capital Market and the BSE since 2020 with an R&D expenditure ratio of at least 15% for each of FY2021 and FY2022. These sampled issuers could not meet GEM's current cash flow requirement. Over 90% of the sampled Nasdaq Capital Market issuers and over 80% of the sampled BSE issuers had aggregate R&D expenditure for the latest two financial years (i.e. FY2021 and FY2022) of HK\$30 million or more.

<sup>56</sup> MB Rule 18C.04(2)(a).

<sup>57</sup> HKEX Guidance Letter [HKEX-GL115-23](#) (Guidance on Specialist Technology Companies), paragraphs 23 to 24.

**Box 1: Methodology of calculating the R&D expenditure and R&D expenditure ratio of a GEM listing applicant under the market capitalisation/ revenue/ R&D test**

**(A) R&D expenditure**

1. For the purpose of calculating the amount of a company's R&D expenditure under the market capitalisation/ revenue/ R&D test:

- (a) the amount of R&D expenditure for a period includes costs that are directly attributable to the company's R&D activities during the period, including development costs for the period that have been capitalised as intangible assets for accounting purposes, but excluding general, administrative or other costs that are not clearly related to R&D activities;
- (b) apart from the costs described in sub-paragraph (a) above, we expect the amount of R&D expenditure to primarily comprise the following costs:
  - (i) the costs of personnel engaged in R&D activities;
  - (ii) the depreciation, service fees or other directly attributable costs of equipment or facilities used in R&D activities (including data centre operating costs, cloud-based service fees, rentals, utilities and maintenance costs);
  - (iii) the amortisation of intangibles used in R&D activities (to the extent the related R&D costs being capitalised as intangibles have not been included in sub-paragraph (a) above); and
  - (iv) the costs of materials consumed in R&D activities.

The R&D expenditure should also include the costs of R&D conducted by others on the company's behalf (including consulting or testing fees).

If any other type of costs apart from those listed above is included as qualifying R&D costs, the basis on which such costs are directly attributable to the company's R&D activities must be clearly explained; and

- (c) the amount of R&D expenditure should exclude:
  - (i) the initial recognition of any fixed assets relating to the company's R&D activities (e.g. capital expenditures for acquiring an R&D centre); and
  - (ii) any expense of a finance nature.

**(B) Total operating expenditure**

2. For the purpose of the market capitalisation/ revenue/ R&D test, a company's total operating expenditure for a period is the sum of: (a) the company's total expenses as reflected in its financial statements during the period, excluding cost of sales and any expense of a finance nature; and (b) any such costs that have not been recognised as expenses during the period but qualify as R&D expenditure as described in paragraphs 1(a) and 1(b) above.

**(C) R&D expenditure ratio**

3. For the purpose of the market capitalisation/ revenue/ R&D test, a company's R&D expenditure ratio for a period is the ratio of (a) its R&D expenditure for the period as defined in section (A) above to (b) its total operating expenditure for the period as defined in section (B) above.

73. Our proposed R&D requirement aims to ensure that listing applicants have engaged in R&D activities that constitute a substantial ongoing expense.
74. We propose to pair the minimum R&D expenditure threshold with a R&D expenditure ratio to help ensure that the R&D expenditure is meaningful to the applicant and not a token amount.
75. We propose to apply the R&D expenditure ratio threshold of 15% for each year of the two-year track record period (rather than on an aggregate basis) to help ensure that a listing applicant demonstrates a consistent engagement in R&D activities throughout its track record period.

### **Reduction of post-IPO lock-up period for controlling shareholders**

76. We propose to reduce the post-IPO 24 month lock-up period imposed on controlling shareholders of GEM issuers<sup>58</sup> to 12 months. In line with Main Board requirements,<sup>59</sup> controlling shareholders of an issuer would not be able to dispose of any of their interests in the issuer within the first six months of listing and would not be able to dispose of any interest in the second six months that would result in them no longer being its controlling shareholder.

#### **Rationale**

77. The post-IPO lock-up period for GEM controlling shareholders was extended from 12 months to 24 months as part of the 2018 Market Quality Reforms to address shell activities by requiring them to demonstrate a stronger commitment to the GEM issuer.<sup>60</sup> Given shell activities have largely ceased due to joint efforts of the Exchange and the SFC (see paragraph 28), the prolonged lock-up period is no longer considered to be necessary.
78. A prolonged lock-up period for controlling shareholders reduces the attractiveness of a GEM listing and hinders newly listed GEM issuers' business development by potentially imposing a delay on a post-listing issue of securities for fundraising purposes.<sup>61</sup>
79. The shortening of lock-up period to 12 months will also bring our requirements generally in line with the majority of the Selected Overseas Junior Markets (see **Appendix II**).

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<sup>58</sup> GEM Rule 13.16A(1).

<sup>59</sup> MB Rule 10.07(1).

<sup>60</sup> See the [Consultation Paper on the Review of the Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \(June 2017\)](#), paragraph 29.

<sup>61</sup> See the [Consultation Paper on the Review of the Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \(June 2017\)](#), paragraph 33.

80. To aid liquidity at IPO, we note that the Nasdaq Capital Market requires that a minimum number of the issuer's shares be unrestricted from lock-up (i.e. a "free float").<sup>62</sup> This is a concept that we may explore further as part of a future consultation exercise.

## **Consequential and housekeeping amendments**

### Consequential amendment to the GEM Listing Rules

81. Under the reverse takeover and extreme transaction Rules,<sup>63</sup> where a reverse takeover or extreme transaction involves a series of transactions and/or arrangements and the acquisition targets cannot meet management and/or ownership continuity requirements under the current cash flow test<sup>64</sup> solely as a result of the acquisition by the issuer, the Exchange may consider granting waivers, on a case-by-case basis, from strict compliance with these requirements. We propose to extend such waivers to the equivalent management and ownership continuity requirements under the proposed market capitalisation/ revenue/ R&D test.

### Housekeeping amendment to the Main Board Listing Rules

82. Currently the Main Board Listing Rules<sup>65</sup> on reverse takeover and extreme transactions state that the equivalent waivers from the management and/or ownership continuity requirements only apply to the profit test<sup>66</sup> and are silent on its application to the market capitalisation/ revenue/ cash flow and market capitalisation/ revenue tests.<sup>67</sup> We wish to take the opportunity, in this paper, to propose an amendment to the Main Board Listing Rules to explicitly apply the waivers to the two alternative eligibility tests. This is consistent with our existing guidance on reverse takeovers.<sup>68</sup>

**Question 1** Do you agree that an alternative eligibility test should be introduced to enable the listing of high growth enterprises substantively engaged in R&D activities on GEM?

Please give reasons for your views.

<sup>62</sup> Nasdaq Rule 5505(a)(2). Unrestricted Securities are those securities not subject to resale restrictions (including the securities subject to the lock-up requirement, and those subject to other legal or contractual restrictions).

<sup>63</sup> Note to GEM Rule 19.06C(2) and note 3 to GEM Rule 19.54.

<sup>64</sup> GEM Rules 11.12A(2) and 11.12A(3).

<sup>65</sup> Note to MB Rule 14.06C(2) and note 3 to MB Rule 14.54.

<sup>66</sup> MB Rule 8.05(1)(b) and (c).

<sup>67</sup> MB Rules 8.05(2)(b) and (c) and 8.05(3)(b) and (c).

<sup>68</sup> HKEX Guidance Letter [HKEX-GL104-19](#) (Guidance on application of the reverse takeover Rules), paragraph 56.

**Question 2** If your answer to Question 1 is “Yes”, do you have any comments on the proposed thresholds for the alternative eligibility test as set out in paragraphs 63 to 75 of the Consultation Paper?

Please give reasons for your views.

**Question 3** Do you agree with the proposal to reduce the post-IPO 24 month lock-up period imposed on controlling shareholders of GEM issuers to 12 months as set out in paragraph 76 of the Consultation Paper?

Please give reason for your views.

**Question 4** Should any other existing eligibility requirement for a listing on GEM be amended?

If so, please state the requirement(s) that should be amended and give reasons for your views.

**Question 5** Do you agree with the proposed consequential and housekeeping amendments to the reverse takeover and extreme transaction Rules as set out in paragraphs 81 and 82 of the Consultation Paper?

Please give reasons for your views.

## II. Continuing Obligations

83. We propose the following amendments in response to stakeholder comments that the GEM Listing Rules impose undue and rigid continuing obligations and to lower compliance costs. The proposed amendments will also bring the relevant GEM's continuing obligations in line with those for Main Board issuers.
84. Our proposals do not remove requirements (e.g. connected transaction requirements) that some SME stakeholders said discouraged GEM issuers from pursuing healthy business growth and legitimate post-listing activities (see paragraph 52). We disagree that these requirements place an undue burden on issuers as they help ensure that all shareholders are treated fairly and equally and that directors act in the interests of the company and the shareholders as a whole. This enables investors to have, and maintain, confidence in the market (see paragraph 53).

### A. Compliance Officer and Compliance Adviser

#### Proposals

85. To align a GEM issuer's ongoing compliance officer and compliance adviser obligations with those of the Main Board,<sup>69</sup> we propose to:
- (a) remove the existing requirement for one of the executive directors of a GEM issuer to assume responsibility for acting as the issuer's compliance officer;<sup>70</sup> and
  - (b) shorten the period of engagement of the compliance adviser of a GEM issuer<sup>71</sup> so that it ends on the date on which the issuer publishes its financial results for the first (instead of the second) full financial year commencing after the date of its initial listing.
86. We also propose to remove GEM requirements relating to a compliance adviser's responsibilities with regards to: (a) due diligence on listing documents published, and dealing with the Exchange, in relation to certain transactions during the period of engagement of the compliance adviser; and (b) disclosure of interests of the compliance

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<sup>69</sup> Main Board issuers are currently not subject to any compliance officer requirement. For the Main Board's compliance adviser requirement, see MB Rule 3A.19.

<sup>70</sup> GEM Rule 5.19.

<sup>71</sup> GEM Rule 6A.19.

adviser for this purpose.<sup>72</sup> This will align the compliance adviser’s responsibilities for a GEM issuer with those for a Main Board issuer.<sup>73</sup>

## **Rationale**

### Compliance officer

87. GEM is now a market for established SMEs (see paragraph 88) and so their directors can be expected to have experience that is similar, in extent, to that of Main Board listed issuers. For this reason, GEM issuers should not have a greater need for compliance advice from a compliance officer than Main Board issuers.

### Compliance adviser

88. GEM was launched, in 1999, as a “buyer beware” market for early stage “dot-com” companies. GEM’s compliance officer and compliance adviser requirements were implemented, at that time, to help advise companies that were at a relatively early stage of their development of their regulatory responsibilities.
89. In 2017, when we analysed the types of companies that list on GEM, we found that, on average, they had been in operation for 15 years at the time of their listing.<sup>74</sup> As GEM applicants, like Main Board applicants, are usually well established by the time of their listing, we believe that additional compliance officer and compliance adviser requirements are no longer necessary.

**Question 6** Do you agree with the Exchange’s proposal to remove GEM’s compliance officer requirement as set out in paragraph 85(a) of the Consultation Paper?

Please give reasons for your views.

<sup>72</sup> These Rules are: (a) GEM Rules 6A.31 to 6A.33 relating to the requirement for a compliance adviser to ensure that neither it, its directors, employees nor its close associates has any interest in relation to the issuer and the listing or transaction and the relevant disclosure; (b) GEM Rule 6A.34 requiring a compliance adviser to: be responsible for dealing with the Exchange on all matters raised by the Exchange; be closely involved in the preparation of the listing document and to ensure that it has been verified; assist the issuer in preparing and submitting the application form for listing; and ensure that at least one Principal is actively involved in the work undertaken by the compliance adviser in connection with the application; (c) GEM Rule 6A.35 requiring a compliance adviser to have satisfied itself, to the best of its knowledge and belief, having made due and careful enquiries that the listing document is in compliance with the GEM Listing Rules; (d) GEM Rule 6A.36 setting out the types of listing documents subject to the aforementioned additional requirements; and (e) GEM Rule 6A.37 permitting a sponsor instead of a compliance adviser to assume responsibility for fulfilling the aforementioned additional requirements.

<sup>73</sup> These responsibilities, in the context of a transfer application, also overlap with those required of a sponsor under the Listing Rules (e.g. obligations to conduct due diligence and address matters raised by the Exchange under the GEM Listing Rules) and the SFC Code of Conduct.

<sup>74</sup> See the [Consultation Paper on the Review of Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \(June 2017\)](#), paragraph 18.

**Question 7** Do you agree with the Exchange's proposal to shorten the period of engagement of GEM issuers' compliance advisers and to remove the additional obligations currently imposed on a GEM issuer's compliance adviser as set out in paragraphs 85(b) and 86 of the Consultation Paper?

Please give reasons for your views.

**Question 8** Should any other continuing obligation currently applicable to a GEM listed issuer also be removed?

If so, please state the requirement(s) and give reasons for your views.

## B. Periodic Reporting Requirements

### Existing Requirements

90. Our current Listing Rules require a GEM issuer to publish:

- (a) annual reports not later than three months;<sup>75</sup>
- (b) half-year reports not later than 45 days;<sup>76</sup> and
- (c) quarterly reports not later than 45 days<sup>77</sup>

after the date upon which the financial period ended.

91. A GEM issuer is currently also required to publish preliminary announcements of results:

- (a) for the financial year not later than three months;<sup>78</sup>
- (b) for the first six months of each financial year not later than 45 days;<sup>79</sup> and
- (c) for each of the first three month and nine month periods of each financial year not later than 45 days<sup>80</sup>

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<sup>75</sup> GEM Rule 18.03.

<sup>76</sup> GEM Rule 18.53.

<sup>77</sup> GEM Rule 18.66.

<sup>78</sup> GEM Rule 18.49.

<sup>79</sup> GEM Rule 18.78.

<sup>80</sup> GEM Rule 18.79.

after the date upon which the financial period ended.

## Proposals

92. To help address stakeholders' concerns regarding the compliance costs of a GEM issuer (see paragraphs 56 to 57), we propose to align GEM's periodic reporting requirements with those for Main Board issuers by removing quarterly reporting as a mandatory requirement for GEM issuers. Quarterly financial reporting will instead be a recommended best practice in GEM's Corporate Governance Code<sup>81</sup> to align with the Main Board Corporate Governance Code.<sup>82</sup>
93. All references to "half-year report" in the GEM Listing Rules would be updated to "interim report" to align with the Main Board Listing Rules.
94. Also, to align GEM requirements with those of the Main Board, a GEM issuer would be required to publish only:
  - (a) annual reports not later than four months after the end of each financial year;<sup>83</sup> and
  - (b) interim reports not later than three months after the end of the first six months of each financial year.<sup>84</sup>
95. Similarly, we propose requiring a GEM issuer to publish preliminary announcements of results for the first six months of each financial year not later than two months (instead of the shorter 45 days as currently required) after the end of that six month period. This is in line with the existing requirements for a Main Board issuer.<sup>85</sup>

## Rationale

96. The requirement for GEM issuers to produce quarterly reports was implemented when GEM was positioned as a market for early stage companies. This was consistent with the disclosure based "buyer beware" philosophy of GEM's initial regulatory approach.<sup>86</sup>
97. Today, GEM listing applicants are usually well established with a long history of operations (see paragraph 89). Following previous reforms over the years (see Table 5 in **Appendix I**), the Rule requirements for GEM and the Main Board have increasingly converged. The

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<sup>81</sup> Appendix 15 of the GEM Rules.

<sup>82</sup> Appendix 14 of the MB Rules, Recommended Best Practices D.1.5 and D.1.6.

<sup>83</sup> MB Rule 13.46.

<sup>84</sup> MB Rule 13.48(1).

<sup>85</sup> MB Rule 13.49(6).

<sup>86</sup> [Consultation Paper on a Proposed New Market For Emerging Companies \(May 1998\)](#), Executive Summary, paragraph 6.

original rationale for imposing mandatory requirement on quarterly reporting upon them is therefore less relevant.

Remaining disclosure obligations

98. A GEM issuer will still need to promptly disclose Inside Information to the public in accordance with the relevant rules and regulations.<sup>87</sup> Accordingly, the proposed change to the reporting requirement should not reduce the timeliness or level of disclosure by GEM issuers. Given that quarterly reporting will be introduced as a recommended best practice in GEM's Corporate Governance Code, we anticipate that some GEM issuers will continue to report quarterly on a voluntary basis to meet the needs of their investors.
99. The Exchange would retain the discretion, under the Listing Rules,<sup>88</sup> to impose additional ongoing disclosure requirements, on a case-by-case basis, as necessary to the circumstances of a case (e.g. for issuers listing under the market capitalisation/ revenue/ R&D test if they are from industries new to the Hong Kong market), and such conditions may be imposed at the time of the new listing application of the issuer.

Jurisdictional comparison

100. Only half of the Selected Overseas Junior Markets mandate quarterly reporting for their issuers (i.e. the BSE and Nasdaq Capital Market). AIM and Catalist do not require their issuers to report on a quarterly basis.<sup>89</sup>

**Question 9** Do you agree with the Exchange's proposal to remove quarterly financial reporting as a mandatory requirement for GEM issuers and instead introduce it as a recommended best practice in GEM's Corporate Governance Code?

Please give reasons for your views.

**Question 10** Do you agree with the Exchange's proposal to align the timeframes for GEM issuers to publish their annual reports, interim reports and preliminary announcements of results for the first half of each financial year with those for the Main Board, as set out in paragraphs 94 and 95 of the Consultation Paper?

Please give reasons for your views.

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<sup>87</sup> See Part XIVA of the SFO and Chapter 17 of the GEM Listing Rules.

<sup>88</sup> GEM Rule 2.07.

<sup>89</sup> Instead, SGX adopts a risk-based approach so that quarterly reporting is only required when: (a) a Catalist issuer's auditors have issued an adverse opinion, a qualified opinion or a disclaimer of opinion on the issuer's latest financial statements; or (b) a Catalist issuer's auditors have stated that a material uncertainty relating to going concern exists in the issuer's latest financial statements. See Catalist Rule [705\(2\)](#).

## C. ESG-related Requirements

101. ESG reporting requirements are currently the same for both GEM issuers and Main Board issuers.<sup>90</sup> However, GEM issuers usually have smaller operations in scale than those of Main Board issuers and so their ESG risks and opportunities, in terms of scope and/or level of exposure, are generally lower. GEM issuers may also have limited resources to spend on meeting ESG reporting requirements relative to Main Board issuers.
102. The ISSB and the IFRS Foundation have taken note of the circumstances of smaller-sized companies and given some latitude to them when implementing their new IFRS ESG Standards. For example, the ISSB has introduced the concept of “reasonable and supportable information that is available at the reporting date without undue cost or effort” in applying the IFRS ESG Standards.<sup>91</sup>
103. Also, the IFRS Foundation is developing an adoption guide outlining the scaling and phasing-in approaches that it envisages jurisdictions will use when implementing the IFRS ESG Standards. It has stated that the application of the IFRS ESG Standards should exclude entities whose securities are traded in relatively small public securities markets, or entities that are generally characterised by small shareholder bases.
104. When implementing new ESG reporting requirements, the Exchange will also take into account the differing capabilities and preparedness of listed issuers. In the past, we have published a series of materials catering for the variety of needs of listed issuers (including step-by-step guides, e-training and webcasts). We wish to take the opportunity of this consultation paper to inform the market that we see merit in taking a measured approach for GEM issuers and implementing ESG-related requirements in a manner that is proportionate to their circumstances. We will update the market as to our thinking on this topic in due course.

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<sup>90</sup> All listed issuers (both Main Board and GEM issuers) must publish an annual ESG report in accordance with the requirements set out in Appendix 27 of the Main Board Listing Rules (or Appendix 20 of the GEM Rules).

<sup>91</sup> This will be particularly helpful for preparers that might be less able to comply with the disclosure requirements in the Standards due to implementation challenges and lack of resources. The concept of “the skills, capabilities and resources available to the entity” is also introduced to address proportionality, allowing preparers to apply qualitative approaches in several instances, instead of quantitative approaches, to ensure that preparers could apply the requirements in a way that is proportionate to their circumstances but that would still provide useful information.

### III. Transfers to the Main Board

#### A. New Streamlined Transfer Mechanism

##### Proposals

###### Streamlined transfer mechanism

105. We propose to implement a new streamlined mechanism with modifications of the eligibility requirements to enable qualified GEM issuers<sup>92</sup> to transfer their listings to the Main Board. A GEM issuer that cannot meet these eligibility requirements would still be able to apply for a transfer under the existing requirements (see paragraph 138). The proposed streamlined transfer requirements in this section will not apply to such an issuer.

###### Rationale

106. Due to the market quality reforms implemented by the Exchange and the SFC (see paragraph 28), we believe that our proposal to implement a streamlined transfer mechanism should not lead to a recurrence of shell activities.
107. We concur with the view of stakeholders who suggested that a streamlined transfer mechanism should encourage issuers to list on GEM rather than wait to apply for listing on the Main Board directly (see paragraph 55).

###### Removal of requirement to appoint a sponsor to carry out due diligence

108. For the purpose of the proposed mechanism, we propose to remove the requirement that a GEM issuer appoint a sponsor to carry out relevant investigations and due diligence work prior to its transfer.

###### Rationale

109. This amendment aims to reduce costs for a GEM transferee that has been a listed GEM issuer for a minimum of three full financial years and has not had a change in its principal business or ownership during that time (see paragraphs 117 to 118). As explained in paragraph 28, a number of targeted actions have been taken to tackle the issues relating to shell activities.
110. Under our proposal, a transfer applicant will have been previously subject to a due diligence process as part of its application for listing on GEM conducted by a sponsor. In addition, the transfer applicant will have been subject to mandatory disclosure and audit requirements under the GEM Rules. This includes the requirement that it publish periodic financial information audited to the standards required by the Listing Rules by an independent

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<sup>92</sup> Such issuers are those that meet all the qualifications for listing on the Main Board. See MB Rule 9A.02(1).

auditor.<sup>93</sup> Its demonstration of compliance with these requirements over a three-year period should mitigate the risks that the current sponsor appointment seeks to address.

### **Removal of requirement for a “prospectus-standard” listing document**

111. We propose that a GEM issuer no longer have to produce a “prospectus-standard” listing document for a streamlined transfer to the Main Board. Instead, we propose that a transfer applicant submit, at a minimum, the following documents to the Listing Division as part of its transfer application:
- (a) a formal application for listing (including directors’ confirmation that all relevant requirements for a transfer of listing are complied with);
  - (b) an advanced draft public announcement of the transfer for pre-vetting by the Listing Division; and
  - (c) a working capital sufficiency statement, together with relevant supporting information,<sup>94</sup> confirming that:
    - (i) the working capital available for the group is sufficient for the next 12 months from the date of publication of the announcement under sub-paragraph (b); and
    - (ii) 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.
112. We propose that a transfer applicant must have obtained all necessary shareholders’, board and/or regulatory approvals required for the transfer of listing.
113. We also propose that a transfer applicant publish:
- (a) a short announcement informing the public of the application on the day of application for transfer;<sup>95</sup> and
  - (b) the announcement referred to in paragraph 111(b) above as soon as practicable after it has received from the Exchange formal in-principle approval for transfer of its listing (i.e. not later than one business day after its receipt of such formal in-principle approval and at least five clear business days before the intended date dealings in its shares on the Main Board are expected to commence).

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<sup>93</sup> GEM Rules 18.07 and 18.55.

<sup>94</sup> Supporting information typically includes cashflow forecast memoranda, profit forecasts and written statements from persons or institutions providing finance.

<sup>95</sup> GEM Rule 9.26. This is not expected to contain substantial details and no content requirements will be included in the Listing Rules.

114. The long-form announcement (referred to in paragraphs 111(b) and 113(b)) should contain information including: (a) a prescribed form disclaimer statement; (b) directors' responsibility statement; (c) confirmation of fulfilment of all pre-conditions to transfer of listing;<sup>96</sup> (d) reasons for the transfer of listing; (e) a statement that various documents are displayed on the Exchange's website and the issuer's website, (f) a statement that the requisite approval has been granted by the Exchange; (g) issuer's stock codes on GEM and the Main Board; (h) a statement of CCASS eligibility; (i) if applicable, a statement of any listing of options, warrants etc., that will be transferred together with the underlying securities; (j) names of the directors; and (k) such information as directed by the Exchange.

#### Rationale

115. As explained in paragraph 28, a number of targeted actions have been taken to tackle the issues relating to shell activities. In addition, a transfer applicant would have already published the information investors require to make an informed investment decision of the issuer's financial position and future prospects. This information would have been published, on an ongoing basis, under the requirements of the GEM Listing Rules and would be accessible to investors on the issuer's website and the HKEX website.
116. Under our proposals, a GEM transferee would have published this information for at least a three-year track record period prior to its transfer (see paragraphs 117 and 118). This is the same length of time as the track record period normally included in a prospectus produced for the purpose of a Main Board listing.

#### **Track record requirements**

117. We propose that a streamlined transfer applicant demonstrate a minimum track record of three full financial years as a GEM listed issuer prior to its transfer (instead of only one full financial year commencing after the date of its initial listing on GEM).<sup>97</sup>
118. We propose that a streamlined transfer applicant demonstrate that there has been, throughout its three-year financial track record period: (a) ownership continuity and control, and (b) no fundamental change in its principal business.

#### Rationale

119. These continuity requirements help substantiate the rationale for the removal of sponsor due diligence (see paragraphs 109 to 110) and publication of a "prospectus-standard" listing document (see paragraph 116) for a streamlined transfer.

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<sup>96</sup> This statement must include details of the calculations made to demonstrate that the transfer applicant has met the pre-conditions in respect of the volume weighted average market capitalisation and daily turnover of its securities.

<sup>97</sup> See MB Rule 9A.02(2) for the existing requirement.

## Daily Turnover Test

120. We propose that the daily turnover of a transfer applicant must have reached a minimum threshold (“**Minimum Daily Turnover Threshold**”) on at least 50% of the trading days over the 250 trading days immediately preceding the transfer application and until the commencement of dealings in its securities on the Main Board (the “**Reference Period**”).<sup>98</sup> For this purpose:
- (a) the “daily turnover” of a transfer applicant refers to the trading turnover in the applicant’s GEM shares (i.e. value of GEM shares traded) on a trading day as stated in the Exchange’s daily quotations sheets;<sup>99</sup> and
  - (b) the reference to “trading days” excludes the number of trading days on which trading of the applicant’s securities were halted or suspended.
121. We propose that the Minimum Daily Turnover Threshold be set at either HK\$100,000 or HK\$50,000 and seek views on which is preferred. Table 2 and Table 3 below give a general indication of the number of GEM issuers that could potentially use the new streamlined transfer mechanism under each option, and set out our analysis of the effect of the Daily Turnover Test (based on a Minimum Daily Turnover Threshold of HK\$100,000 and HK\$50,000) on two cohorts of GEM issuers (as of 31 August 2023):
- (I) **Eligible GEM Issuers:-** those that could meet the Main Board listing eligibility requirements as of 31 August 2023;<sup>100</sup> and
  - (II) **GEM Transfers:-** GEM issuers that transferred to the Main Board between 1 January 2018 and 31 August 2023.

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<sup>98</sup> For the avoidance of doubt, such Reference Period covers both: (a) the 250 trading days immediately preceding the transfer application; and (b) the trading days between the transfer application and the commencement of dealings of the transfer applicant’s securities on the Main Board.

<sup>99</sup> Accessible on the Exchange’s [website](#).

<sup>100</sup> Of the 330 issuers listed on GEM as of 31 August 2023, six could meet at least one of the Main Board eligibility tests under MB Rule 8.05(1), (2) or (3) and the Main Board’s minimum market capitalisation threshold of HK\$500 million under MB Rule 8.09(2).

**Table 2: Effect of the Daily Turnover Test on the Exchange’s issuers based on a Minimum Daily Turnover Threshold of HK\$100,000**

Cohort	(I) Eligible GEM Issuers		(II) GEM Transfers	
	Number of issuers	%	Number of issuers	%
Pass	3	50%	28	65%
Fail	3	50%	15	35%
<b>TOTAL</b>	<b>6</b>	<b>100%</b>	<b>43</b>	<b>100%</b>

Source: HKEX and S&P Capital IQ (as of 31 August 2023)

**Table 3: Effect of the Daily Turnover Test on the Exchange’s issuers based on a Minimum Daily Turnover Threshold of HK\$50,000**

Cohort	(I) Eligible GEM Issuers		(II) GEM Transfers	
	Number of issuers	%	Number of issuers	%
Pass	5	83%	34	79%
Fail	1	17%	9	21%
<b>TOTAL</b>	<b>6</b>	<b>100%</b>	<b>43</b>	<b>100%</b>

Source: HKEX and S&P Capital IQ (as of 31 August 2023)

Rationale

122. The proposed Daily Turnover Test aims to help ensure that the market capitalisation of a transferee, at the time of its listing on the Main Board, is supported by a minimum level of daily turnover over the Reference Period.
123. We also note that a trading volume based requirement is currently in place for a transfer of listing from the BSE to the STAR Market and the ChiNext Market. For such transfer, a transferee must have at least 10 million shares as accumulated trading volume for consecutive 60 trading days<sup>101</sup> prior to board approval for the transfer announcement.<sup>102</sup> Our proposed liquidity based qualification is therefore in line with the approach taken by the BSE.

<sup>101</sup> Excluding day(s) on which trading in the transferee’s shares is suspended.

<sup>102</sup> Article 13(6) of [Trial Measures for Companies Listed on the Beijing Stock Exchange transferring to the STAR Board of the Shanghai Stock Exchange](#) (Simplified Chinese version only) and Article 12(6) of [Trial Measures of Shenzhen Stock Exchange in relation to Companies Listed on the Beijing Stock Exchange transferring to ChiNext](#) (Simplified Chinese version only).

### *Minimum thresholds*

124. A high Minimum Daily Turnover Threshold may give greater confidence that the test meets its aims, as set out above. However, we have also noted, from recent cases, that some transfer applicants may have lower liquidity in their shares but still be suitable for transfer to the Main Board. For this reason we seek market views on the appropriate Minimum Daily Turnover Threshold.

### **Volume Weighted Average Market Capitalisation Test**

125. We propose that a streamlined transfer applicant must have a volume weighted average market capitalisation over the Reference Period that meets the minimum market capitalisation requirement<sup>103</sup> for listing on the Main Board.
126. For this purpose, the volume weighted average market capitalisation should be 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 for all the trading days over the Reference Period as adjusted for any applicable corporate actions (see paragraph 132).
127. The daily market capitalisation specified above is the number of total issued shares of the issuer as shown in an issuer's relevant next day disclosure return or monthly return (whichever is more recent) multiplied by the intraday VWAP of the listed issuer's securities, which should be calculated by dividing the daily turnover by the daily number of shares traded for that trading day.
128. The proposed Volume Weighted Average Market Capitalisation Test takes into account the number of shares traded (i.e. volume) on each trading day during the Reference Period in such a manner as to ensure that the valuation on trading days where trading volume is relatively high will have a more significant contribution to the average market capitalisation than the valuation on trading days where trading volume is relatively low.

### *Rationale*

129. The proposed Volume Weighted Average Market Capitalisation Test (when combined with the proposed Daily Turnover Test) helps mitigate the risk that the minimum market capitalisation is met by a valuation which is inflated or distorted by a limited number of trades when trading turnover is low and help identify companies with a valuation based on adequate investor demand as targets for the new streamlined transfer mechanism.
130. We propose using the intraday VWAP, as opposed to the daily closing price, to determine the daily market capitalisation. This is because VWAP is more responsive to share price fluctuations throughout a trading day and is less susceptible to manipulation by investors who may try to influence the closing price by placing large orders near the close of a trading day.

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<sup>103</sup> Based on the minimum market capitalisation threshold applicable to the test via which the transfer applicant seeks to list its shares on the Main Board.

131. Box 2 sets out the steps to calculate the volume weighted average market capitalisation of a transfer applicant.

**Box 2: Methodology of calculating the volume weighted average market capitalisation of a transfer applicant**

1. List the daily market capitalisation (as determined by the number of total issued shares and the intraday VWAP) and daily trading volume on each trading day during the Reference Period.
2. Calculate the total trading volume over the Reference Period.
3. Obtain the weight for each pricing date by dividing the daily trading volume by the total trading volume.
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)	Daily Trading Volume	Weight
1	600	4,800	0.8%
2	620	3,600	0.6%
3	670	6,000	1.0%
...	...	...	...
<b>TOTAL</b>		<b>600,000</b>	<b>100%</b>

132. We propose that the calculation of the volume weighted average market capitalisation be adjusted for any applicable corporate actions (such as a share sub-division and a share consolidation). Such adjustment should be made by reference to the ratio of the new number of outstanding shares to the original number of outstanding shares. Box 3 and Box 4 illustrate the adjustments required in the scenarios of a share sub-division and a share consolidation, respectively.

**Box 3: Methodology of calculating the volume weighted average market capitalisation of a transfer applicant in case of 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 trading volume on each trading day during the Reference Period.
2. Assuming a two-for-one share sub-division effective on Day 100, the daily trading volume on each of Days 1 to 99 will be multiplied by an adjustment factor of 2 (2:1) to obtain the adjusted daily trading volume.
3. Calculate the total adjusted trading volume over the Reference Period.
4. Obtain the weight for each pricing date by dividing the adjusted daily trading volume by the total adjusted trading volume.

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)	Daily Trading Volume	Adjusted Daily Trading Volume	Weight
1	500	1,000	<b>2,000</b>	0.40%
2	550	1,200	<b>2,400</b>	0.48%
...	...	...	...	...
99	600	1,500	<b>3,000</b>	0.60%
100 (share sub-division effective date)	650	1,600	<b>1,600</b>	0.32%
101	700	1,700	<b>1,700</b>	0.34%
...	...	...	...	...
<b>TOTAL</b>			<b>500,000</b>	<b>100%</b>

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

#### Box 4: Methodology of calculating the volume weighted average market capitalisation of a transfer applicant in case of a share consolidation

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

- List the daily market capitalisation (as determined by the number of total issued shares and the intraday VWAP) and daily trading volume on each trading day during the Reference Period.
- Assuming a one-for-five share consolidation effective on Day 100, the daily trading volume on each of Days 1 to 99 will be multiplied by an adjustment factor of **0.2** (1:5) to obtain the adjusted daily trading volume.
- Calculate the total adjusted trading volume over the Reference Period.
- Obtain the weight for each pricing date by dividing the adjusted daily trading volume by the total adjusted trading volume.
- 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 × 0.04% + HK\$550,000,000 × 0.05% + ... + HK\$600,000,000 × 0.06% + HK\$650,000,000 × 0.32% + HK\$700,000,000 × 0.34% + ....

Day	Market Capitalisation (HK\$ million)	Daily Trading Volume	Adjusted Daily Trading Volume	Weight
1	500	1,000	<b>200</b>	0.04%
2	550	1,200	<b>240</b>	0.05%
...	...	...	...	...
99	600	1,500	<b>300</b>	0.06%

	100 (share consolidation effective date)	650	1,600	<b>1,600</b>	0.32%
	101	700	1,700	<b>1,700</b>	0.34%
	...	...	...	...	...
	<b>TOTAL</b>			<b>500,000</b>	<b>100%</b>

133. Table 4 below sets out our analysis of the effect of the Volume Weighted Average Market Capitalisation Test on two cohorts of issuers (as of 31 August 2023):

- (I) **Eligible GEM Issuers** that could meet the Main Board listing eligibility as of 31 August 2023;<sup>104</sup> and
- (II) **GEM Transfers** to the Main Board that took place between 1 January 2018 and 31 August 2023, including:
- transfers completed as new listings made under current requirements (including a minimum market capitalisation threshold of HK\$500 million);
  - transfers completed under the transitional arrangements in place between 15 February 2018 and 14 February 2021 (including the minimum market capitalisation threshold of HK\$200 million then in effect); and
  - transfers completed under the streamlined mechanism prior to the 2018 Market Quality Reforms (including the minimum market capitalisation threshold of HK\$200 million then in effect).

**Table 4: Effect of the Volume Weighted Average Market Capitalisation Test if it were to be applied to certain cohorts of issuers**

Cohort	(I) Eligible GEM issuers		(II) GEM transfers	
	Number of issuers	%	Number of issuers	%
<b>Pass</b>	4	67%	40	93%
<b>Fail</b>	2	33%	3	7%
<b>TOTAL</b>	<b>6</b>	<b>100%</b>	<b>43</b>	<b>100%</b>

Source: HKEX and S&P Capital IQ (as of 31 August 2023)

<sup>104</sup> See footnote 100.

## **Other matters**

### Compliance record

134. We propose to require that a streamlined transfer applicant must:
- (a) not have been held to have committed a serious breach of any Listing Rules in the 12 months preceding the transfer application and until the commencement of dealings in its securities on the Main Board; and
  - (b) not be the subject of any investigation by the Exchange, or any ongoing disciplinary proceedings under Chapter 3 of the GEM Listing Rules, in relation to a serious breach or potentially serious breach of, any Listing Rules as at (i) the date of the transfer application and (ii) the date when dealing in its securities commences on the Main Board.
135. The current Main Board Listing Rules state that a transfer applicant must not have been the subject of any “disciplinary investigation” of a serious breach or potentially serious breach of any Listing Rules during the 12-month period prior to transfer.<sup>105</sup> However, it is noted that:
- (a) the wording “disciplinary investigation” may imply that disciplinary proceedings must have begun or imply that the Exchange’s enforcement team must have started an investigation, and may not be broad enough to cover investigations conducted prior to the commencement of disciplinary proceedings (e.g. investigations at an earlier stage by the Exchange’s issuer regulation team); and
  - (b) the current wording does not explicitly exclude transfer applicants that have committed a serious breach of any Listing Rules.
136. To address the above issues, we propose to amend the current Main Board Listing Rules so that the proposed requirement under paragraph 134 applies to all transfers of listing from GEM to the Main Board. We believe that the proposed amendments help ensure a GEM transfer applicant has a clean compliance record during the 12-month period prior to the transfer application and up to the date of transfer, and mitigate the risk that any disciplinary action would be taken, or a serious breach of the Listing Rules would be subsequently held, against the applicant after it has transferred to the Main Board.

### Approval authority

137. A streamlined transfer application will be processed by the Listing Division<sup>106</sup> and approved by the Listing Committee.

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<sup>105</sup> MB Rule 9A.02(3).

<sup>106</sup> The transfer application would take the form of a transfer announcement with supporting documentation (including the listing application form) which would be vetted by the Listing Division (see paragraph 111).

GEM issuers not qualified for a streamlined transfer

138. A GEM issuer that does not meet the proposed streamlined transfer requirements must apply for a transfer under existing requirements. Accordingly, such a transferee would be required to appoint a sponsor to conduct due diligence and publish a “prospectus-standard” listing document for its transfer.

**Question 11** Do you agree that a streamlined mechanism should be introduced to enable qualified GEM issuers to transfer their listing to the Main Board?

Please give reasons for your views.

**Question 12** If your answer to Question 11 is “Yes”, do you agree with the removal of the requirement for the appointment of a sponsor for the purpose of a streamlined transfer as set out in paragraph 108 of the Consultation Paper?

Please give reasons for your views.

**Question 13** If your answer to Question 11 is “Yes”, do you agree with, for the purpose of a streamlined transfer, the removal of the requirements for a “prospectus-standard” listing document and other requirements as set out in paragraphs 111 to 114 of the Consultation Paper?

Please give reasons for your views.

**Question 14** If your answer to Question 11 is “Yes”, do you agree with the track record requirements for a streamlined transfer applicant as set out in paragraphs 117 to 118 of the Consultation Paper?

Please give reasons for your views.

**Question 15** If your answer to Question 11 is “Yes”, do you agree with the daily turnover and volume weighted average market capitalisation requirements for a streamlined transfer applicant as set out in paragraphs 120 to 133 of the Consultation Paper?

Please give reasons for your views.

**Question 16** If your answer to Question 15 is “Yes”, should the Minimum Daily Turnover Threshold for the Daily Turnover Test be set at:

(a) HK\$100,000;

(b) HK\$50,000; or

(c) another figure (please specify)?

Please give reasons for your views.

**Question 17** If your answer to Question 11 is “Yes”, do you agree with the proposed compliance record requirement for a streamlined transfer applicant as set out in paragraph 134 of the Consultation Paper?

Please give reasons for your views.

**Question 18** Do you agree with the proposed modification to the existing compliance record requirement for a transfer from GEM to the Main Board as set out in paragraph 136 of the Consultation Paper?

Please give reasons for your views.

## B. Costs for Transfers of Listing

### Proposal

139. We propose to exempt GEM transferees to the Main Board from the Main Board initial listing fee.<sup>107</sup>

### Rationale

140. The proposed fee exemption aims to respond to the concerns of stakeholders (see paragraphs 56 to 57) by reducing the cost of a transfer of listing from GEM to the Main Board.
141. We address stakeholder concerns regarding compliance costs (see paragraph 56 above) through our proposal to reduce ongoing regulatory requirement burdens (e.g. the removal of the mandatory quarterly reporting requirement in paragraph 92 above) and through our proposal to remove the documentation and due diligence requirements for a streamlined transfer to the Main Board as set out in paragraphs 108 and 111 above.

**Question 19** Do you agree that the Exchange should exempt GEM transferees to the Main Board from the Main Board initial listing fee?

Please give reasons for your views.

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<sup>107</sup> As currently required under the Main Board Listing Rules, Appendix 8, paragraph 1.

# DEFINITIONS

TERM	DEFINITION
“2018 Market Quality Reforms”	amendments to the Main Board Listing Rules and GEM Listing Rules effective on 15 February 2018
“2021 Consultation Conclusions”	<a href="#">Consultation Conclusions on the Main Board Profit Requirement</a> , published on 20 May 2021
“AIM Rules”	AIM Rules for Companies of the London Stock Exchange plc
“AIM”	AIM operated by the London Stock Exchange plc
“BSE”	Beijing Stock Exchange
“Catalist”	Catalist operated by SGX
“CCASS”	the Central Clearing and Settlement System
“ChiNext Market”	ChiNext Market of Shenzhen Stock Exchange
“Commercial Company”	as defined in MB Rule 18C.01
“compliance adviser”	has the same meaning as “Compliance Adviser” as defined in MB Rule 3A.01(1) and GEM Rule 6A.01(1)
“Consultation Paper”	this Consultation Paper on GEM Listing Reforms
“CSRC”	China Securities Regulatory Commission
“Daily Turnover Test”	the proposed daily turnover test as a qualification requirement for a streamlined transfer of listing from GEM to the Main Board as set out in <b>Chapter 3</b> , Section III(A) of this Consultation Paper
“ESG”	environmental, social and governance
“FCA Listing Rules”	the Listing Rules sourcebook of the FCA Handbook
“FCA”	the UK Financial Conduct Authority
“GBA”	the Guangdong-Hong Kong-Macao Greater Bay Area
“GEM Listing Rules” or “GEM Rules”	Rules Governing the Listing of Securities on GEM
“GEM Streamlined Process”	streamlined process introduced on 1 July 2008 and abolished on 15 February 2018, whereby GEM issuers could transfer to the Main Board if

TERM	DEFINITION
	they meet the Main Board admission requirements, without the need to appoint a sponsor and to issue a listing document
“GEM”	GEM operated by the Exchange
“HKEX”	Hong Kong Exchanges and Clearing Limited
“IFRS ESG Standards”	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
“IFRS”	International Financial Reporting Standards
“Inside Information”	as defined in Section 307A of the SFO
“IPO”	initial public offering
“ISSB”	International Sustainability Standards Board
“Listing Committee”	the Main Board and GEM listing sub-committee of the Exchange’s board
“Listing Division”	the Listing Division of the Exchange
“Listing Rules” or “Rules”	the Main Board and GEM Listing Rules
“LSE Main Market”	Main Market operated by LSE
“LSE”	London Stock Exchange plc
“Main Board Listing Rules” or “MB Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the main board of the Exchange
“Mainland China” or “Mainland”	for the purpose of this paper, means the PRC, other than the regions of Hong Kong, Macau and Taiwan
“Mainland Institutional SME Investors”	institutional investors in Mainland China that we spoke to during our stakeholder engagement, comprising four securities firms with holdings in listed issuers on the BSE and eight investment managers which have established funds that invest in those issuers
“market capitalisation/ revenue/ R&D test”	the proposed financial eligibility test of initial listing on GEM as set out in <b>Chapter 3</b> , Section I of the Consultation Paper
“Minimum Daily Turnover Threshold”	has the meaning defined in paragraph 120 of <b>Chapter 3</b> of this paper

<b>TERM</b>	<b>DEFINITION</b>
<b>“Nasdaq Capital Market”</b>	a market tier for companies with relatively small levels of market capitalisation operated by Nasdaq
<b>“Nasdaq Global Market”</b>	a market tier with lower initial listing standards operated by Nasdaq
<b>“Nasdaq Global Select Market”</b>	a market tier with the highest initial listing standards operated by Nasdaq
<b>“Nasdaq Rules”</b>	The Nasdaq Stock Market LLC Rules
<b>“Nasdaq”</b>	The Nasdaq Stock Market LLC
<b>“NEEQ Select Market”</b>	Select Market operated by NEEQ
<b>“NEEQ”</b>	National Equities Exchange and Quotation
<b>“Nominated Adviser” or “Nomad”</b>	corporate finance adviser approved by the LSE that has the responsibility to advise and guide a company on its responsibilities in relation to its admission to AIM and its continuing obligations once listed on AIM
<b>“PRC”</b>	the People’s Republic of China
<b>“R&amp;D”</b>	research and development
<b>“Reference Period”</b>	has the meaning defined in paragraph 120 of <b>Chapter 3</b> of this paper
<b>“Regulator Supervised Markets”</b>	junior stock markets amongst the Selected Overseas Junior Markets that adopt a regulator supervised model (as opposed to a sponsor supervised model), i.e. the BSE and Nasdaq Capital Market
<b>“SEHK” or “Exchange”</b>	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of HKEX
<b>“Selected Overseas Junior Markets”</b>	a number of overseas junior stock markets selected for comparison to GEM for the purpose of this Consultation Paper, namely the BSE, Nasdaq Capital Market, Catalist and AIM
<b>“SESDAQ”</b>	Stock Exchange of Singapore Dealing and Automated Quotation System
<b>“SFC”</b>	Securities and Futures Commission
<b>“SFO”</b>	Securities and Futures Ordinance (Cap. 571)
<b>“SGX Mainboard Listing Rules”</b>	the SGX-ST listing rules for the SGX Main Board
<b>“SGX Mainboard”</b>	Mainboard operated by SGX
<b>“SGX”</b>	Singapore Exchange

TERM	DEFINITION
“SME”	small and/or medium-sized enterprise
“Specialist Technology Company”	as defined in MB Rule 18C.01
“Sponsor Supervised Markets”	junior stock markets amongst the Selected Overseas Junior Markets that adopt a sponsor supervised model (as opposed to a regulator supervised model), i.e. Catalist and AIM
“SSE”	Shanghai Stock Exchange
“STAR Market”	Science and Technology Innovation Board of Shanghai Stock Exchange
“SZSE”	Shenzhen Stock Exchange
“UK”	the United Kingdom
“US”	the United States of America
“Volume Weighted Average Market Capitalisation Test”	the proposed volume weighted average market capitalisation test as a qualification requirement for a streamlined transfer of listing from GEM to the Main Board as set out in <b>Chapter 3</b> , Section III(A) of this Consultation Paper
“VWAP”	volume weighted average price

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## APPENDIX I: A HISTORY OF GEM REFORM

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### Launch in 1999

1. GEM (formerly known as the “Growth Enterprise Market”) was launched in November 1999 to provide emerging growth companies with a separate and alternative capital formation platform to the Main Board. GEM was designed to have less stringent admission requirements than the Main Board and operate an “enhanced disclosure based” regime with prominent “buyer beware” risk warnings in listing documents.
2. The launch of GEM coincided with the “dot-com” boom of 1999/2000 and a global surge in the listings of companies with internet based business models. After the “dot-com” bubble burst, many GEM issuers experienced a decline in their share prices. Some experienced losses and/or long periods of suspension and their shares were often illiquid. Overall, there was a loss of confidence in the GEM market. The number of new GEM listings and post-listing fundraising activities for GEM issuers decreased.

### 2008 “Stepping Stone” Re-positioning

3. In July 2008, GEM was re-positioned as a “stepping stone” to the Main Board rather than as a separate alternative market. Many of the original “buyer beware” features of GEM were repealed and the GEM Listing Rules were amended to align with those of the Main Board. The transfer process from GEM to the Main Board was streamlined so that a transferee was not required to appoint a sponsor (to perform due diligence) or publish a prospectus for the purpose of its transfer.
4. Subsequently, the Exchange and the SFC noted the emergence of several undesirable activities related to GEM. These included a concentration of shareholdings in GEM issuers amongst a small group of shareholders, high share price volatility immediately post-IPO and the exploitation of GEM’s lower admission requirements and GEM Streamlined Process by poor quality companies to gain easier access to the Main Board via GEM.<sup>1</sup>

### 2018 Market Quality Reforms

5. The Exchange conducted a review of GEM’s “stepping stone” positioning and its admission requirements in 2017 with the aim of improving the overall quality of GEM listings. On 15 February 2018, following public consultation<sup>2</sup>, the Exchange repositioned GEM as a “stand-alone board” for SMEs. The GEM and Main Board Listing Rules were amended to

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<sup>1</sup> See the [Consultation Paper \(June 2017\)](#) on the Review of Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules, paragraphs 12, 13 and 38.

<sup>2</sup> See the [Consultation Paper \(June 2017\)](#) and the [Consultation Conclusions \(December 2017\)](#) on the Review of Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules.

remove the streamlined process for GEM transfers to the Main Board and increase the initial listing requirements for GEM and Main Board applicants.

6. Table 5 below summarises the history of GEM Listing Rule implementation and key amendments since 1999.

## 2021 Consultation Conclusions

7. On 20 May 2021, the Exchange concluded its consultation on amendments to the Main Board Profit Requirement (referred to as the “**2021 Consultation Conclusions**” in this paper).<sup>3</sup> The consultation resulted in a 60% increase in the profit requirement and an amended profit spread under the Main Board’s profit test,<sup>4</sup> with flexibility provided by granting relief from the profit spread in case specific circumstances.
8. Some respondents to that consultation commented that GEM was no longer a viable listing platform for SMEs operating in traditional industries. The Exchange stated that it would launch a review of GEM to consider GEM’s positioning, market perception, and viability as an alternative market to the Main Board.<sup>5</sup>

**Table 5: A history of GEM Listing Rule implementation and key amendments since 1999**

Timing	GEM Listing Rule Implementation and Key Amendments
November 1999	<p><b><i>GEM launch</i></b></p> <ul style="list-style-type: none"> <li>GEM was officially launched as a second market of the Exchange. The GEM Listing Rules came into effect.</li> </ul>
March 2000	<p><b><i>Temporary relaxation of certain GEM Listing Rules<sup>6</sup></i></b></p> <ul style="list-style-type: none"> <li>The management shareholders’ lock-up was reduced from two years to six months.</li> <li>The requirement for 24 months active business pursuits was reduced to 12 months.</li> <li>The accountants’ report was to cover just 12 months.</li> <li>The general mandate for granting share options was set at 10%, subject to an overall cap on all outstanding share options of 30% of total issued shares.</li> </ul>

<sup>3</sup> See the [Consultation Paper \(November 2020\)](#) and the [Consultation Conclusions \(May 2021\)](#) on the Main Board Profit Requirement.

<sup>4</sup> MB Rule 8.05(1).

<sup>5</sup> See the [Consultation Conclusions on the Main Board Profit Requirement \(May 2021\)](#), paragraph 26.

<sup>6</sup> See the [Market Consultation on the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited \(May 2000\)](#).

Timing	GEM Listing Rule Implementation and Key Amendments
July 2001	<p><b><i>Rule changes following the public consultation in 2000<sup>7</sup></i></b></p> <ul style="list-style-type: none"> <li>• The minimum period of active business pursuits was restored to 24 months. However, for companies of substantial size and with significant public following (e.g. HK\$500 million revenue and 300 public shareholders), the minimum period was reduced to 12 months.</li> <li>• A GEM issuer was not permitted to issue new securities within six months of listing (except to acquire assets which complement its focused line of business).</li> <li>• The moratorium period for disposal of shares by initial management shareholders was raised to 12 months (six months for those with not more than one per cent holding).</li> <li>• Certain requirements for share option schemes were amended and the related disclosures were tightened.</li> <li>• The public float (i.e. not including employee shareholdings) was to be 25% for issuers with a market capitalisation not exceeding HK\$4 billion at the time of listing and the higher of 20% and HK\$1 billion for issuers with a market capitalisation of over HK\$4 billion at the time of listing.</li> </ul>
July 2008	<p><b><i>2008 “Stepping Stone” Re-positioning<sup>8</sup></i></b></p> <ul style="list-style-type: none"> <li>• New quantitative admission requirements for GEM were introduced that were largely in line with those of the Main Board but less stringent.</li> <li>• The power to approve or reject GEM listing applications was delegated from the Listing Committee to the Listing Division (formerly known as the Listing Department).</li> <li>• GEM and Main Board continuing obligations were brought into line.</li> <li>• The transfer process from GEM to the Main Board was streamlined. Originally, GEM issuers were required to delist from GEM and reapply for a new listing on the Main Board, and have to appoint a sponsor and issue a listing document. Under the GEM Streamlined Process, a GEM transfer application would take the form of GEM transfer announcement with supporting documentation (including the listing application form, directors’ declarations and undertakings, etc.) which would be vetted by the Listing Division and approved by the Listing Committee. Successful transfer applicants are exempted from certain restrictions applying to new Main Board listing applicants.</li> </ul>
February 2018	<p><b><i>2018 Market Quality Reforms<sup>9</sup></i></b></p> <ul style="list-style-type: none"> <li>• The name “Growth Enterprise Market” was changed to "GEM" to reflect its role as a market for small and mid-sized companies.</li> </ul>

<sup>7</sup> See the [Joint Announcement on the Market Consultation and Changes to the Rule governing the Listing of Securities on Growth Enterprise Market \(July 2001\)](#).

<sup>8</sup> See the [Consultation Conclusions on the Growth Enterprise Market \(May 2008\)](#).

<sup>9</sup> See the [Consultation Conclusions on the Review of Growth Enterprise Market \(GEM\) and Changes to the GEM and Main Board Listing Rules \(December 2017\)](#).

Timing	GEM Listing Rule Implementation and Key Amendments
	<ul style="list-style-type: none"> <li>• The GEM Streamlined Process was removed.</li> <li>• A mandatory sponsor requirement was introduced for transfer of listing from GEM to the Main Board, and a sponsor must be appointed at least two months before the submission of a listing application.</li> <li>• The minimum expected market capitalisation of GEM applicants at the time of listing was increased from \$100 million to \$150 million and a corresponding increase in the minimum public float value of GEM companies at the time of listing from \$30 million to \$45 million.</li> <li>• The minimum cash flow requirement for GEM applicants was increased from \$20 million to \$30 million.</li> <li>• A mandatory public offering requirement of at least 10 per cent of the total offer size was introduced for all GEM IPOs.</li> <li>• The post-IPO lock-up requirement on controlling shareholders was extended from one year to two years for GEM while there was no change to the post-IPO lock-up requirement for the Main Board.</li> <li>• The authority to approve GEM listing applications was moved from the Listing Division to the Listing Committee.</li> </ul>

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## APPENDIX II: Jurisdictional Comparison

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### Selected Overseas Junior Markets

#### Beijing Stock Exchange (BSE)

1. The BSE was launched in November 2021 as a fundraising platform serving innovative Mainland SMEs. It replaced the top tier “Select Market” of the NEEQ, an over the counter trading venue for SMEs that are ineligible for listing on other markets in Mainland China (e.g., the STAR Market and the ChiNext Market). At its launch, the BSE admitted 71 companies from the NEEQ Select Market.<sup>1</sup>
2. The BSE’s listing standards are tailored for “specialised and sophisticated” enterprises<sup>2</sup> to enable them to obtain a listing without a track record of profit and revenue.<sup>3</sup> In January 2022, the CSRC provided guidance on transfers of listing from the BSE to the STAR Market and the ChiNext Market.<sup>4</sup> To date, three BSE issuers have successfully transferred their listing to these two markets.<sup>5</sup>

#### Nasdaq Capital Market

3. The Nasdaq Capital Market is one of three Nasdaq market tiers. The market was originally known as the “NASDAQ SmallCap Market” and focused on listing SMEs. It was renamed as the “NASDAQ Capital Market” in September 2005 to reflect a shift towards “issuers of a wide range of capitalisation sizes” that aimed to provide them with “needed capital to grow their businesses and a listing venue which can accommodate the different stages in their corporate life”.<sup>6</sup>
4. The Nasdaq Capital Market has the least stringent initial financial and liquidity requirements amongst the three Nasdaq market tiers. However, the same corporate governance standards apply equally to all three tiers.<sup>7</sup> A Nasdaq Capital Market issuer can transfer to a higher market tier (without de-listing and re-listing) as long as it meets the applicable quantitative requirements of the relevant market tier.

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<sup>1</sup> Based on market statistics published on the BSE website (accessed 17 July 2023).

<sup>2</sup> These “specialised and sophisticated” SMEs are innovative SMEs that specialise in strategically important industries such as chip-making, biotechnology and quantum computing. To qualify as a “specialised and sophisticated” SME, an enterprise must meet a set of financial, operational and R&D based criteria set out by the Ministry of Industry and Information Technology of the PRC Government.

<sup>3</sup> See the BSE’s Listing Standard IV in **Appendix II** to this Consultation Paper.

<sup>4</sup> CSRC Announcement [2022] No. 25 [“CSRC Guidance on Transfer of Listed Companies on Beijing Stock Exchange”](#) (Simplified Chinese version only), 7 January 2022.

<sup>5</sup> Based on public disclosures of listed companies on the SSE and SZSE websites (accessed 18 September 2023).

<sup>6</sup> Nasdaq, [NASDAQ SmallCap Market is Renamed NASDAQ Capital Market](#), 27 September 2005.

<sup>7</sup> Nasdaq, [The Nasdaq Stock Market Tiers](#).

## Catalist

5. Catalist was launched by SGX on 26 November 2007 (succeeding SESDAQ)<sup>8</sup> catering to the fundraising needs of fast growing companies, particularly SMEs that “may be daunted by the processes and costs of a Mainboard listing”.<sup>9</sup>
6. Catalist is a sponsor regulated market. This means issuers are supervised by sponsors rather than a regulatory body.<sup>10</sup> A listing applicant is required to appoint a sponsor to evaluate its suitability for listing and advise it on compliance with listing rules. SGX applies its listing rules to regulate admission criteria, issuers’ continuing obligations and disciplinary matters.<sup>11</sup>
7. SGX issuers may voluntarily transfer their listings between Catalist and SGX Mainboard (without de-listing and re-listing),<sup>12</sup> subject to certain qualification and disclosure requirements as well as shareholders’ approval by a special resolution.

## AIM

8. AIM (formerly known as the “Alternative Investment Market”) was launched by the LSE in 1995 as an alternative market to the LSE’s Main Market to offer a diverse range of dynamic smaller companies the opportunity to raise capital. The market is specifically tailored to the needs of growth companies.<sup>13</sup>
9. AIM operates under a “Nomad” (Nominated Adviser) regulatory model. A Nomad is a corporate finance adviser approved by the LSE. The Nomad is responsible for advising and guiding the company on its responsibilities in relation to its admission to AIM as well as its continuing obligations once listed.<sup>14</sup>
10. There is no streamlined process for companies to move from AIM to the LSE Main Market. AIM issuers that wish to transfer to the Main Market must have their securities delisted from AIM and meet the entry criteria and regulatory requirements of the Main Market.<sup>15</sup>

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<sup>8</sup> SESDAQ was initially introduced to meet the fundraising needs of local SMEs in Singapore.

<sup>9</sup> [Opening Address](#) by Mr J Y Pillay, Chairman, Singapore Exchange, Delivered at the Launch of Catalist at SGX Event Plaza on 26 November 2007.

<sup>10</sup> Sponsors are qualified professional companies experienced in corporate finance and compliance advisory work. They are authorised and regulated by SGX through strict admission criteria and continuing obligations.

<sup>11</sup> SGX, [Regulation of Listings](#), Regulatory Approach, Catalist.

<sup>12</sup> Catalist Rules 409 and 411.

<sup>13</sup> London Stock Exchange Group, [The history of LSEG](#).

<sup>14</sup> LSE, [Role of Advisers on AIM](#).

<sup>15</sup> See LR 2 and LR 6 of the FCA Listing Rules for the requirements for listing on the LSE Main Market.

## Listing Requirements of Selected Overseas Junior Markets

11. GEM's initial listing standards are broadly in line with those of Selected Overseas Junior Markets, categorised as Regulator Supervised Markets (GEM, BSE and the Nasdaq Capital Market) and Sponsor Supervised Markets (AIM and Catalist).

### Regulator Supervised Markets

12. The minimum market capitalisation requirement for listing on GEM is lower than that of BSE and the Nasdaq Capital Market (see Table 6 below). Also, GEM listing applicants are required to meet only a minimum level of operating cash flow threshold instead of a net profit and/or net asset threshold as required by the BSE and Nasdaq Capital Market.

**Table 6: High-level comparison of the financial eligibility requirements of GEM and Selected Overseas Junior Markets (Regulator Supervised Markets only)**

Market	GEM	BSE	Nasdaq Capital Market
Listing standard	Existing initial listing eligibility test	Listing Standard I <sup>16</sup>	Market Value of Listed Securities Standard <sup>17</sup>
Market capitalisation	≥ HK\$150 million <sup>18</sup>	≥RMB200 million <sup>19</sup> (HK\$217.98 million)	≥US\$50 million <sup>20</sup> (HK\$390.64 million)
Net assets	No requirement	≥RMB50 million <sup>21</sup> (HK\$54.40 million)	≥US\$4 million <sup>22</sup> (HK\$31.25 million)
Net profit	No requirement	≥ RMB15 million (HK\$16.32 million) for each of last two years; <sup>23</sup> or ≥ RMB25 million (HK\$27.2 million) for the last year <sup>24</sup>	No requirement

<sup>16</sup> The BSE offers a choice of four initial listing standards. The standard chosen represents the set of initial listing criteria that has the lowest minimum market capitalisation requirement of the four sets.

<sup>17</sup> The Nasdaq Capital Market offers a choice of three initial listing standards. As the Market Value of Listed Securities Standard is the only one of the three standards that sets a minimum market capitalisation requirement, it has been chosen for comparison purposes. The other two criteria are the "Equity Standard" and the "Net Income Standard".

<sup>18</sup> GEM Rule 11.23(6).

<sup>19</sup> BSE Listing Rule 2.1.3(1).

<sup>20</sup> Nasdaq Rule 5505(b)(2)(A).

<sup>21</sup> BSE Listing Rule 2.1.2(3).

<sup>22</sup> Nasdaq Rule 5505(b)(2)(B).

<sup>23</sup> BSE Listing Rule 2.1.3(1).

<sup>24</sup> BSE Listing Rule 2.1.3(1).

Market	GEM	BSE	Nasdaq Capital Market
Listing standard	Existing initial listing eligibility test	Listing Standard I <sup>16</sup>	Market Value of Listed Securities Standard <sup>17</sup>
Cash flow	≥ HK\$30 million operating cash flow, in aggregate over the last two financial years <sup>25</sup>	No requirement	No requirement

### Sponsor Supervised Markets

13. Both Catalist and AIM do not impose any financial eligibility requirements on their listing applicants. Instead, issuers listed on these markets must retain a sponsor / Nomad (see paragraphs 6 and 9 above) to ensure they meet listing eligibility requirements<sup>26</sup> and to advise them of their continuing obligations.<sup>27</sup>

<sup>25</sup> GEM Rule 11.12A(1).

<sup>26</sup> Catalist Rule 224(1); and AIM Rule 1.

<sup>27</sup> Catalist Rule 746(1); and AIM Rule 1.

**Table 7: Detailed comparison of the listing requirements and continuing obligations of GEM and Selected Overseas Junior Markets**

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market			BSE			
Financial Eligibility for Listing and Operating History										
				Equity Standard	Market Value of Listed Securities Standard	Net Income Standard	Listing Standard I <sup>28</sup>	Listing Standard II <sup>29</sup>	Listing Standard III <sup>30</sup>	Listing Standard IV <sup>31</sup>
<b>Market capitalisation</b>	≥HK\$150 million <sup>32</sup>	Nil	Nil	Nil	≥US\$50 million <sup>33</sup> (HK\$391 million)	Nil	≥RMB200 million (HK\$218 million)	≥RMB400 million (HK\$436 million)	≥RMB800 million (HK\$872 million)	≥RMB1.5 billion (HK\$1.6 billion)
<b>Net assets</b>	Nil	Nil	Nil	≥US\$5 million <sup>34</sup> (HK\$39.1 million)	≥US\$4 million <sup>35</sup> (HK\$31.3 million)	≥US\$4 million <sup>36</sup> (HK\$31.3 million)	≥RMB50 million (HK\$54.4 million) at the last financial year end <sup>37</sup>			
<b>Net profit</b>	Nil	Nil	Nil	Nil		≥US\$750,000 (HK\$5.86 million) in the latest fiscal year or in two of the latest three fiscal years <sup>38</sup>	≥RMB15 million (HK\$16.3 million) for the last two years <i>and</i> return on equity ≥8% on average for the last two years <i>OR</i> ≥RMB25 million (HK\$27.2 million)	Nil	Nil	Nil

<sup>28</sup> BSE Listing Rule 2.1.3(1).

<sup>29</sup> BSE Listing Rule 2.1.3(2).

<sup>30</sup> BSE Listing Rule 2.1.3(3).

<sup>31</sup> BSE Listing Rule 2.1.3(4).

<sup>32</sup> GEM Rule 11.23(6).

<sup>33</sup> Nasdaq Rule 5505(b)(2)(A).

<sup>34</sup> Nasdaq Rule 5505(b)(1)(A).

<sup>35</sup> Nasdaq Rule 5505(b)(2)(B).

<sup>36</sup> Nasdaq Rule 5505(b)(3)(B).

<sup>37</sup> BSE Listing Rule 2.1.2(3).

<sup>38</sup> Nasdaq Rule 5505(b)(3)(A).

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market	BSE				
						million) for the last year <i>and</i> return on equity $\geq 8\%$ for the last year			
<b>Revenue</b>	Nil	Nil	Nil	Nil	Nil	$\geq$ RMB100 million (HK\$109 million) on average for the last two years <i>and</i> revenue growth $\geq 30\%$ for the last year	$\geq$ RMB200 million (HK\$218 million) for the last year	Nil	
<b>Cash flow</b>	$\geq$ HK\$30 million in aggregate generated from operating activities for the last two financial years <sup>39</sup>	Nil	Nil	Nil	Nil	Positive cash flow for the last year	Nil	Nil	Nil
<b>R&amp;D expenditure</b>	Nil	Nil	Nil	Nil	Nil	Nil	$\geq 8\%$ of total revenue for the last two years	$\geq$ RMB50 million (HK\$54.5 million) total for the last two years	
<b>Working capital sufficiency</b>	Sufficient for 12 months from the	Sufficient for 12 months from admission <sup>41</sup>	Sufficient for 12 months after listing <sup>42</sup>	Nil	Nil	Nil			

<sup>39</sup> GEM Rule 11.12A(1).

<sup>41</sup> Schedule Two (c) of AIM Rules.

<sup>42</sup> Catalyst Rule 407(2). Catalyst Rule 444(1) requires a mineral, oil & gas company to include a directors' statement that, in their reasonable opinion, the company has sufficient working capital for 18 months after listing.

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market			BSE
<b>statement by directors</b>	date of listing document <sup>40</sup>						
<b>Trading record</b>	Two years <sup>43</sup>	Nil	Nil	Two years <sup>44</sup>	Nil	Nil	Issuers from Innovation Tier which have been listed on National Equities Exchange and Quotations for at least 12 months <sup>45</sup>
<b>Ownership continuity</b>	Throughout latest full financial year and up until the date of listing <sup>46</sup>	Nil	Nil	Nil			Nil
<b>Management continuity</b>	Under substantially the same management throughout latest two full financial years and up until the date of listing <sup>47</sup>	Nil	Nil	Nil			Nil
<b>Shareholding Distribution</b>							
<b>Public float</b>	≥25%; or ≥15% (if the expected market capitalisation at listing of an issuer > HK\$10 billion <sup>48</sup> )	Nil	≥15% <sup>49</sup>	≥1 million unrestricted publicly held shares <sup>50</sup>			≥25%; or ≥10% (if an issuer's capital stock > RMB 400 million) <sup>51</sup> (HK\$ 435.16 million)

<sup>40</sup> Paragraph 36 of Appendix 1A of GEM Listing Rules. GEM Rule 18A.03(4) and (5) requires a mineral company to include a directors' statement in the listing document that, in their opinion, its working capital is sufficient for 125% of its present requirements for the next 12 months.

<sup>43</sup> GEM Rule 11.14.

<sup>44</sup> Nasdaq Rule 5505(b)(1)C).

<sup>45</sup> BSE Listing Rule 2.1.2(1).

<sup>46</sup> GEM Rule 11.12A(2).

<sup>47</sup> GEM Rule 11.12A(3).

<sup>48</sup> GEM Rules 11.23(7) and (10).

<sup>49</sup> SGX Catalist Rule 406(1)(a).

<sup>50</sup> Nasdaq Rule 5505(a)(2). Unrestricted Securities are those securities not subject to resale restrictions (including the securities subject to the lock-up requirement below, and those subject to other legal or contractual restrictions). Publicly held shares are those not held directly or indirectly by an officer, director or any person who is the beneficial owner of more than 10% of the total shares outstanding.

<sup>51</sup> BSE Listing Rule 2.1.2(6).

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market			BSE
<b>Market capitalisation in public hands</b>	≥HK\$45 million <sup>52</sup>	Nil	Nil	US\$15 million <sup>53</sup> (HK\$117.19 million)	US\$15 million <sup>54</sup> (HK\$117.19 million)	US\$5 million <sup>55</sup> (HK\$39.06 million)	Nil
<b>Shareholder spread</b>	≥100 public shareholders <sup>56</sup>	Nil	≥200 public shareholders <sup>57</sup>	≥300 round lot holders <sup>58</sup>			≥200 shareholders in total <sup>59</sup>
<b>Post-IPO lock-up on controlling shareholders</b>	<u>Controlling shareholder(s)</u> <ul style="list-style-type: none"> <li>Within the first 12 months after listing, restricted from disposing of any shares</li> <li>Within the second 12 months after listing, restricted from disposing shares that would result in him/them ceasing to be</li> </ul>	<u>Related parties<sup>61</sup> and applicable employees<sup>62</sup> of a company of which business has not been independent and earning revenue for at least 2 years</u> <ul style="list-style-type: none"> <li>Within a year after admission, restricted from disposing of any shares<sup>63</sup></li> </ul>	<u>Controlling shareholders and executive directors with an interest in 5% or more of the issued share capital at listing<sup>64</sup></u> <ul style="list-style-type: none"> <li>Within the first 6 months after listing, restricted from disposing of any shares<sup>65</sup></li> <li>Within the second six months after</li> </ul>	No lock-up requirement imposed by NASDAQ. However, US securities law require restricted securities subject to 6-month lock-up period after such securities are fully paid for. For this purpose, restricted securities include those securities acquired (a) prior to an IPO; (b) through private sales, e.g. private placement offering of an issuer or sales from affiliates of the issuer; (c) through employment stock benefit plans; and (d) securities held by an executive officer, a director or a controlling shareholder.			<u>The controlling shareholders, de facto controller and their family members; and substantial shareholders<sup>68</sup></u> <ul style="list-style-type: none"> <li>Within 12 months after listing, restricted from transferring pre-IPO shares</li> <li>For a pre-profit issuer, within two full financial years after listing, restricted from transferring any shares<sup>69</sup></li> </ul> <u>Directors, supervisors or senior management<sup>70</sup></u> <ul style="list-style-type: none"> <li>Within 12 months after listing and within 6 months after their departure, restricted from transferring any shares; and</li> <li>For a pre-profit issuer, within two full financial years after listing, restricted from transferring any shares<sup>71</sup></li> </ul>

<sup>52</sup> GEM Rule 11.23(2)(a).

<sup>53</sup> Nasdaq Rule 5505(b)(1)(B).

<sup>54</sup> Nasdaq Rule 5505(b)(2)(C).

<sup>55</sup> Nasdaq Rule 5505(b)(3)(C).

<sup>56</sup> GEM Rule 11.23(2)(b).

<sup>57</sup> Catalist Rule 406(1)(c).

<sup>58</sup> Nasdaq Rule 5505(a)(3). A round lot holder means a holder of 100 shares of unrestricted securities.

<sup>59</sup> BSE Listing Rule 2.1.2(6).

<sup>61</sup> Related parties include directors and also shareholders who hold any legal or beneficial interest directly or indirectly in 10% or more of any class of AIM security or 10% or more of the voting rights of an AIM company, and their respective family members.

<sup>62</sup> Applicable employees include those, together with their family, with a holding or interest, directly or indirectly, in 0.5% or more of any class of AIM security.

<sup>63</sup> AIM Rule 7.

<sup>64</sup> Catalist Rule 422(1).

<sup>65</sup> Promoters of a mineral, oil and gas company are required not to sell any of their shareholdings for 12 months after listing. They may sell up to 50% of their shareholdings for the next 6 months.

<sup>68</sup> BSE Listing Rule 2.4.2. Substantial shareholders mean entities directly or indirectly holding more than 10% of the company's shares.

<sup>69</sup> BSE Listing Rule 2.4.6. These shareholders can dispose of shares after the publication of the annual report in which a profit is recorded subject to other limitations applicable to them.

<sup>70</sup> BSE Listing Rule 2.4.5.

<sup>71</sup> BSE Listing Rule 2.4.6. These shareholders can dispose of shares after the publication of the annual report in which a profit is recorded subject to other limitations applicable to them.

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market	BSE
	the controlling shareholder(s) <sup>60</sup>		listing, restricted from disposing more than 50% of their shareholding <u>Pre-IPO investors having acquired shares within 12 months before listing<sup>66</sup></u> • Within 12 months after listing, restricted from disposing of “profit portion” <sup>67</sup>		<ul style="list-style-type: none"> <li>During the tenure, restricted from transferring shares more than 25% of their shareholding each year<sup>72</sup></li> </ul> <u>Senior management and core employees acquiring shares acquired through strategic placing<sup>73</sup></u> <ul style="list-style-type: none"> <li>Within 12 months after listing, restricted from transferring those shares</li> </ul> <u>Investors acquired through strategic placing<sup>74</sup></u> <ul style="list-style-type: none"> <li>Within 6 months after listing, restricted from transferring those shares</li> </ul>
Continuing Obligations					
<b>Appointment of compliance officer</b>	Yes, at all times after GEM listing <sup>75</sup>	Nil	Nil	Nil	Nil
<b>Appointment of compliance adviser /sponsor</b>	Yes, until the publication of the annual report for the second full financial year after listing <sup>76</sup>	Must retain a “nominated adviser” <sup>77</sup> at all times after admission <sup>78</sup>	Must retain a sponsor at all times after admission <sup>79</sup>	Nil	Yes, must retain a sponsor until the end of the third full financial years after initial listing If new shares are issued after listing, until the second full financial year after the listing of such shares <sup>80</sup>

<sup>60</sup> GEM Rule 13.16A(1).

<sup>66</sup> Catalist Rule 422(2).

<sup>67</sup> The profit portion is calculated by multiplying the percentage difference between the IPO price and price paid by the investor for the shares, by the number of shares held.

<sup>72</sup> BSE Listing Rule 2.4.3.

<sup>73</sup> BSE Listing Rule 2.4.5.

<sup>74</sup> BSE Listing Rule 2.4.5.

<sup>75</sup> GEM Rule 5.19.

<sup>76</sup> GEM Rule 6A.19.

<sup>77</sup> An adviser whose name appears on the register of nominated advisers held by the London Stock Exchange.

<sup>78</sup> AIM Rule 1.

<sup>79</sup> Catalist Rule 746(1).

<sup>80</sup> BSE Listing Rule 3.1.2.

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market	BSE
<b>Periodic reporting</b>	Quarterly, interim and annual reporting <sup>81</sup>	Interim and annual reporting <sup>82</sup>	Interim and annual reporting <sup>83</sup> Quarterly reporting only required when auditors have expressed a modified opinion or going concern <sup>84</sup>	Interim and annual reporting <sup>85</sup>	Quarterly, interim and annual reporting <sup>86</sup>
<b>Transfer Mechanism</b>					
<b>Track record of listing</b>	Submit transfer application after publication of the annual report for the first full financial year after GEM listing <sup>87</sup>	Nil	Two years <sup>88</sup>	Nil	One year <sup>89</sup>
<b>Financial eligibility requirements</b>	Must meet all qualifications for listing on the Main Board (including financial eligibility requirements) <sup>90</sup>	Must meet the relevant financial eligibility requirements under FCA Listing Rules	Must meet Main Board financial eligibility requirements <sup>91</sup>	Must meet the initial listing requirements (including financial eligibility requirements) for Nasdaq Global Market/ Nasdaq Global Select Market <sup>92</sup>	Must meet the relevant financial eligibility requirements of ChiNext of the Shenzhen Stock Exchange or STAR Board of the Shanghai Stock Exchange <sup>93</sup>

<sup>81</sup> GEM Rule 18.02.

<sup>82</sup> AIM Rules 18 and 19.

<sup>83</sup> Catalist Rules 705(1) and (3).

<sup>84</sup> Catalist Rule 705(2).

<sup>85</sup> Nasdaq Rule 5250(d).

<sup>86</sup> BSE Listing Rule 6.1.1.

<sup>87</sup> MB Rule 9A.02(2).

<sup>88</sup> Catalist Rule 408(1).

<sup>89</sup> Article 12 of [Trial Measures for Companies Listed on the Beijing Stock Exchange transferring to the STAR Market of the Shanghai Stock Exchange \("STAR Market Trial Measures"\)](#) and Article 11 of [Trial Measures of Shenzhen Stock Exchange in relation to Companies Listed on the Beijing Stock Exchange transferring to ChiNext \("ChiNext Trial Measures"\)](#).

<sup>90</sup> MB Rule 9A.02.

<sup>91</sup> Catalist Rule 408(2).

<sup>92</sup> Nasdaq Rule 5305(b).

<sup>93</sup> Article 14 of STAR Market Trial Measures and Article 12(7) of ChiNext Trial Measures.

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market	BSE
<b>Sponsor appointment and due diligence</b>	Required and must be appointed at least two months before the submission of the transfer application <sup>94</sup>	Required only if the listing is on "premium segment" <sup>95</sup> <i>Note: The FCA proposed to replace two premium and standard listing segments with one single segment. An applicant applying to list on the proposed single listing segment would be required to appoint a sponsor<sup>96</sup></i>	Nil	Nil	Required <sup>97</sup>
<b>Trading volume</b>	Nil	Nil	Nil	Nil	≥10 million shares as accumulated trading volume for consecutive 60 trading days <sup>98</sup> prior to the board approval for the transfer announcement <sup>99</sup>
<b>Shareholder spread</b>	≥300 shareholders <sup>100</sup> in total as required by Main Board	Nil	≥500 shareholders in total as required by Main Board <sup>101</sup>	Nasdaq Global Market: ≥400 round lot holders <sup>102</sup> Nasdaq Global Select Market: ≥450 round lot holders <sup>103</sup>	≥1,000 shareholders in total <sup>104</sup> (no equivalent requirement of ChiNext or STAR Board)

<sup>94</sup> MB Rule 3A.02B.

<sup>95</sup> LR 8 of the FCA Listing Rules.

<sup>96</sup> Paragraph 6.15, [Consultation Paper on Primary Markets Effectiveness Review: Feedback to DP22/2 and proposed equity listing rule reforms \(CP23/10\)](#), FCA, May 2023.

<sup>97</sup> Article 18 of STAR Market Trial Measures and Article 20 of ChiNext Trial Measures.

<sup>98</sup> Excluding the day(s) on which the issuer's trading is suspended.

<sup>99</sup> Article 13(6) of STAR Market Trial Measures and Article 12(6) of ChiNext Trial Measures.

<sup>100</sup> MB Rule 8.08(2).

<sup>101</sup> Catalist Rule 408 (7); SGX Mainboard Listing Rule 210(1).

<sup>102</sup> Nasdaq Rule 5405(a)(3).

<sup>103</sup> NASADQ Rule 5315 (f)(C).

<sup>104</sup> Article 13(4) of STAR Market Trial Measures and Article 12(4) of ChiNext Trial Measures.

Stock Market	GEM (SEHK)	AIM (LSE)	Catalist (SGX)	Nasdaq Capital Market	BSE
<b>Listing document</b>	Application proof and listing document required <sup>105</sup>	Prospectus approved by the FCA	Offer information sheet <sup>106</sup> required <u>only if</u> there is offer of additional securities <sup>107</sup>	Nil	Transfer listing report (together with auditor report, sponsor's opinion and legal opinions) <sup>108</sup>

<sup>105</sup> See [FAQ](#) on Chapter 9A of Main Board Listing Rules.

<sup>106</sup> An offer information sheet is not equivalent to a prospectus. An offer information sheet contains less information than that required for a prospectus, for example, history, business overview and risk factors are not required to be disclosed in an offer information sheet. An offer of shares accompanied by an offer information sheet (which usually apply to offer of additional securities after listing) is exempted from the prospectus requirement (see section 277 of [Securities and Futures Act 2001](#)). For contents of a prospectus and an offer information sheet, please refer to Fifth Schedule and Sixteen Schedule to the [Securities and Futures \(Offers of Investments\) \(Securities and Securities-based Derivatives Contracts\) Regulations 2018](#), respectively.

<sup>107</sup> Catalist Rule 408 (4).

<sup>108</sup> Article 16 of STAR Market Trial Measures and Article 21(1) of ChiNext Trial Measures. The extent of disclosure of a transfer listing report is less substantial than a prospectus required for an initial listing (for example, business description of the company is not included in a transfer listing report).

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# APPENDIX III: DRAFT AMENDMENTS TO THE GEM LISTING RULES

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*Note: Unless otherwise specified, the draft amendments contained in this appendix are based on the amendments to the GEM Listing Rules that will take effect from 31 December 2023 following our Consultation Conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published on 30 June 2023.*

## Chapter 1

### GENERAL

#### INTERPRETATION

1.01 ...

**“close associate”**

...

(b) in relation to a company means:—

...

*Notes: This definition is:—*

...

2 *extended so as to apply to Sponsors, by virtue of rule 6A.31, underwriters, by virtue of rules 16.13, 16.15 and 29.22, and significant shareholders, Sponsors and underwriters by virtue of rule 10.12;*

...

**“corporate communication”**

any document issued or to be issued by an issuer for the information or action of holders of any of its securities or the investing public, including but not limited to:—

...

(b) the interim~~half-year~~ report and, where applicable, its summary interim~~half-year~~ report;

(c) [Repealed [●]]~~the quarterly report;~~

...

...

## Chapter 2

### GENERAL

#### INTRODUCTION

...

#### Characteristics of GEM

...

2.13 ...

(2) A listed issuer is required to publish audited annual accounts and ~~half-year and quarterly~~interim reports, which ~~reports~~ need not be audited (see Chapter 18);

...

(4) The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the GEM Listing Rules; ~~and~~.

...

2.15 ~~Having regard to the higher risk profile of GEM, the GEM Listing Rules impose additional responsibilities on the Compliance Adviser of an issuer by comparison to those imposed on a Compliance Adviser to a company listed on the Main Board (see Chapter 6A). Sponsors and Compliance Advisers are expected to play an important role in upholding and maintaining the standard of GEM issuers and hence the market's confidence in GEM.~~

...

#### 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) and interim report, ~~half-year~~ (including, where applicable, a summary interim~~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:—

...

## Chapter 4

### GENERAL

#### REVIEW PROCEDURE

...

#### **Review cases of a ~~compliance officer~~ or an authorised representative to be considered by the GEM Listing Committee and the GEM Listing Review Committee**

- 4.06A (1) Where the Listing Division decides that a person's appointment as an issuer's ~~compliance officer~~ appointed under rule 5.19 or authorised representative under rule 5.24 should be terminated, that ~~compliance officer~~ or authorised representative, ~~as the case may be~~, shall have the right to have that decision referred to the GEM Listing Committee for review.
- (2) Where the GEM Listing Committee endorses, modifies or varies the Listing Division's decision, that ~~compliance officer~~ or authorised representative, ~~as the case may be~~, shall have the right to have that decision reviewed by the GEM Listing Review Committee, whose decision shall be conclusive and binding on both the listed issuer and that ~~compliance officer~~ or authorised representative, ~~as the case may be~~.

...

#### **Conduct of review hearing**

- 4.11 ...
- (8) In the case of a review hearing sought by a ~~compliance officer~~ or an authorised representative under rule 4.06A, the ~~compliance officer~~ or authorised representative, ~~as the case may be~~, shall have the right to attend the review hearing, to make submissions and may be accompanied by his legal adviser.

...

#### **Aggrieved party**

- 4.15 Any person, other than a listed issuer, a new applicant, its Sponsor ~~and compliance officer~~, Compliance Adviser or authorised representatives, who is aggrieved by a decision of the Listing Division or the GEM Listing Committee may express his views, in writing, to the Chairman of the GEM Listing Committee. The GEM Listing Committee may, in its sole discretion, decide to fully review the matter, having regard

to the rights of any third party which may have been created in reliance upon the earlier decision.

...

## Chapter 5

### GENERAL

#### DIRECTORS, COMPANY SECRETARY, BOARD COMMITTEES, AUTHORISED REPRESENTATIVES AND CORPORATE GOVERNANCE MATTERS

...

##### ~~Compliance officer~~

5.19 ~~[Repealed [●]]~~ Every issuer must ensure that, at all times, one of its executive directors assumes responsibility for acting as the issuer's compliance officer.

*Note: This rule and rule 5.23 do not apply to an issuer of debt securities, the equity securities of which are not listed on GEM.*

5.20 ~~[Repealed [●]]~~ The compliance officer's responsibilities must include, as a minimum, the following matters:—

- (1) ~~advising on and assisting the board of directors of the issuer in implementing procedures to ensure that the issuer complies with the GEM Listing Rules and other relevant laws and regulations applicable to the issuer; and~~
- (2) ~~responding promptly and efficiently to all enquiries directed at him by the Exchange.~~

5.21 ~~[Repealed [●]]~~ A person appointed as the compliance officer should only terminate his appointment after first notifying the Exchange of such proposed termination and the reasons therefor; and except in exceptional circumstances the issuer should not terminate the appointment of any person as the compliance officer until it has appointed a replacement. Where a person's appointment as the compliance officer is terminated, both the issuer and the individual concerned should immediately notify the Exchange of such termination, in each case stating the reason why such appointment was terminated.

5.22 ~~[Repealed [●]]~~ If the Exchange is not satisfied that any person appointed as the compliance officer is fulfilling his responsibilities adequately, it may require the issuer to terminate his appointment as compliance officer and appoint or designate a replacement.

5.23 ~~[Repealed [●]]~~ If, at any time, the issuer fails to appoint or does not have a compliance officer, the issuer must immediately announce this matter in accordance with the publication requirements set out in Chapter 16, failing which the Exchange reserves the right to announce the same.

...

## Securities transactions by directors

...

### *Absolute prohibitions*

...

5.56 (a) A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:

...

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

...

...

...

### *Disclosure*

5.68 In relation to securities transactions by directors, an issuer shall disclose in its interim~~half-year~~ reports (and summary interim~~half-year~~ reports, if any) and the Corporate Governance report contained in its annual reports (and summary financial reports, if any):

...

## Chapter 6A

### GENERAL

#### SPONSORS, COMPLIANCE ADVISERS, OVERALL COORDINATORS AND OTHER CAPITAL MARKET INTERMEDIARIES

...

##### Appointment of a Compliance Adviser

- 6A.19 A listed issuer must appoint a Compliance Adviser for the period commencing on the date of initial listing of the listed issuer's equity securities and ending on the date on which the listed issuer complies with rule 18.03 in respect of its financial results for the ~~first~~second full financial year commencing after the date of its initial listing.

...

##### Miscellaneous

...

- 6A.31 ~~[Repealed [●]]~~In relation to any application for listing by a listed issuer involving the proposed issue of a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20, the Compliance Adviser (or any Sponsor that is appointed under rule 6A.37 to advise the issuer) must ensure that neither it, its directors, employees nor its close associates has any interest in relation to the issuer and that listing or transaction.

*Notes: 1 For these purposes, if there is such interests, the Compliance Adviser (or other adviser appointed under rule 6A.37) must provide the Exchange (by way of submission) details of all information which ought reasonably to be disclosed concerning the interests which it, its directors and employees and its close associates have in relation to the new applicant or listed issuer and the successful outcome of the listing or transaction in question, having taken all reasonable steps to ascertain such interests of its directors and employees and its close associates.*

*2 Without limiting the general nature of Note 1, in assessing whether the Compliance Adviser, its directors, employees or its close associates has any interests, the following non-exhaustive factors should be assessed:—*

*(a) the interests which it or its close associates have or may, as a result of the listing or transaction, have in the securities of the issuer or any other company in the*

~~issuer's group (including options or rights to subscribe for such securities);~~

- ~~(b) the interests which any director or employee involved in providing advice to the issuer has or may, as a result of the listing or transaction, have in the securities of the issuer or any company in the issuer's group (including options or rights to subscribe such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such director or employee under an offer by way of public subscription made by the issuer); and~~
- ~~(c) any material benefit expected to accrue to the Compliance Adviser (or other adviser appointed under rule 6A.37) or its close associates as a result of the successful outcome of the listing or transaction, including, by way of example, the repayment of material outstanding indebtedness and payment of any underwriting commissions or success fees.~~

~~If there are any such interests or benefits, the Compliance Adviser (or other adviser appointed under rule 6A.37) would be expected to disclose full and accurate details of the interests or benefits.~~

6A.32 ~~[Repealed [●]]~~The listing document in respect of any new applicant must comply with rule 6A.10(2), as applicable. All other listing documents and circulars relating to transactions on which the Compliance Adviser (or another adviser appointed under 6A.37) subsequently provides advice to the issuer (excluding any Explanatory Statement issued under rule 13.08) must disclose full and accurate details of the interests as advised by the Compliance Adviser and, if applicable, the interests as advised under rule 6A.31 by the Compliance Adviser appointed under rule 6A.37. In addition, each listed issuer's annual report and accounts, half-year report and quarterly reports must include full and accurate details of such interests, as updated and notified by the Compliance Adviser to the issuer at the time of preparing such reports.

- Notes:
- 1 ~~Each of the documents referred to in this rule is required to set out the interests of the Compliance Adviser (and its directors, employees and close associates) under a specific heading and both the heading and information must be given suitable prominence within the document.~~
  - 2 ~~The Compliance Adviser must take responsibility for the accuracy of the information relating to the interests of the Compliance Adviser (and its directors, employees and close associates), as set out in each of the documents referred to in this rule.~~

6A.33 ~~[Repealed [●]]~~In circumstances of any doubt as to the prospective impact of an actual or potential conflict of interest or as to the interests that are required to be disclosed, the Compliance Adviser or other adviser must consult with the Exchange at the earliest practicable opportunity.

6A.34 ~~[Repealed [●]]~~In relation to an application for listing by a listed issuer involving the proposed issue of a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20, the Compliance Adviser:—

- ~~(1) shall be responsible for dealing with the Exchange on all matters raised by the Exchange;~~
- ~~(2) must be closely involved in the preparation of the listing document and must ensure that it has been verified to a standard that enables the Compliance Adviser to submit to the Exchange the declaration referred to in rule 6A.35;~~
- ~~(3) must assist the issuer in preparing and submitting the application form for listing, together with such other completed forms or documents as are required under the GEM Listing Rules to be submitted in connection therewith; and~~
- ~~(4) must ensure that at least one Principal is actively involved in the work undertaken by the Compliance Adviser in connection with the application.~~

6A.35 ~~[Repealed [●]]~~The Compliance Adviser must, prior to the issue of a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20, be satisfied that:—

- ~~(1) all the documents required by the GEM Listing Rules to be submitted to the Exchange prior to issue of the listing document have been so submitted; and~~
- ~~(2) to the best of its knowledge and belief, having made due and careful enquiries that the listing document is in compliance with the GEM Listing Rules and that:—~~
  - ~~(a) the information contained in the listing document is accurate and complete in all material respects and not misleading;~~
  - ~~(b) there are no other matters the omission of which would make any statement in the listing document misleading;~~
  - ~~(c) all opinions of the directors of the issuer expressed in the listing document have been arrived at after due and careful consideration on their part and are founded on bases and assumptions that are fair and reasonable; and~~
  - ~~(d) the directors of the issuer have made sufficient enquiries so as to enable them to give the confirmations set out in the "responsibility statement" contained in the listing document.~~

6A.36 ~~[Repealed [●]]~~The following listing documents are relevant for the purposes of rules 6A.34 and 6A.35:—

- (1) any listing document which constitutes a prospectus for the purposes of the Companies Ordinance;
- (2) any listing document issued in relation to a rights issue or open offer (whether or not it constitutes a prospectus); or
- (3) any listing document issued in relation to a transaction or connected transaction (under Chapters 19 and 20 respectively).

*Note:* ~~In respect of any listing document in relation to a connected transaction, the declaration by the Compliance Adviser required under rule 6A.35 will not be expected to give any form of confirmation on the opinions of the independent non-executive director(s) or the letter from the independent financial adviser.~~

6A.37 ~~[Repealed [●]]~~Where a listed issuer proposes to issue a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20, it is permissible for any Sponsor, other than the Compliance Adviser appointed by the issuer for the purposes of rule 6A.19 or 6A.20, to act as the adviser to the issuer in relation to the transaction in question. In these circumstances, the newly appointed adviser must assume responsibility for the particular matters referred to in rules 6A.34 and 6A.35.

*Note:* ~~The term of appointment of any party engaged for these purposes as adviser to the listed issuer may not expire until the relevant securities of the listed issuer have been admitted to listing on GEM (or, if applicable, until the application for listing has been rejected by the Exchange).~~

...

## Chapter 7

### GENERAL

#### ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

...

##### Accounting standards

...

7.14 ...

Notes:

...

4. *An overseas issuer with a dual listing that adopts one of the alternative standards referred to in Note 2 above (other than issuers incorporated in a member state of the European Union which have adopted EU-IFRS) for the preparation of its accountants' reports must adopt HKFRS or IFRS if it de-lists from the jurisdiction of that alternative standard and must do so for any annual ~~and~~, interim ~~and quarterly~~ financial statements that fall due under the GEM Listing Rules, and are published, after the first anniversary of the date of its de-listing.*

...

##### Pro Forma Financial Information

...

7.31 ...

- (5) The unadjusted information must be derived from the most recent:
- (a) audited published financial statements, published ~~interim half-year~~ reports or published ~~interim half-year~~ or annual results announcements;

...

## Chapter 9

### GENERAL

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

...

##### Transfer of Listing

- 9.24 (1) An issuer with equity securities listed on GEM, which satisfies the requirements as set out in Main Board Listing Rules 9A.02 or 9B.03, may apply for a transfer of its listing from GEM to the Main Board. The relevant provisions are set out in Chapters 9A and 9B of the Main Board Listing Rules.

...

## Chapter 11

### EQUITY SECURITIES

#### QUALIFICATIONS FOR LISTING

##### Preliminary

...

- 11.04 Full and accurate disclosure of any business or interest of each director, controlling shareholder and, in relation only to the initial listing document, substantial shareholder and the respective close associates of each that competes or may compete with the business of the group and any other conflicts of interest which any such person has or may have with the group must be disclosed in each listing document and circular required pursuant to the GEM Listing Rules (excluding any Explanatory Statement issued pursuant to rule 13.08) and in the annual report and accounts and interim, half-year report and quarterly reports of the listed issuer.

...

##### General conditions applicable to all issuers

...

- 11.07 The issuer must have persons appointed to the following offices and, or to perform the following roles and the issuer must ensure that such persons have satisfied the following rules prior to appointment:—

...

- (3) [Repealed [●]] compliance officer — rule 5.19;

...

##### Additional conditions applicable to new applicants

...

##### Conditions for listing

- 11.12A A new applicant must satisfy either the cash flow test (see sub-paragraphs (1) to (3) below) or the market capitalisation/ revenue/ research and development test (see sub-paragraph (4) below).

##### **The cash flow test**

- (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\$30,000,000 in aggregate for the two financial years immediately preceding the issue of the listing document;

*Note: A statement of cash flow prepared using the indirect method for submission to the Exchange for the purpose of satisfying rule 11.12A(1) must also be included in the prospectus for disclosure purpose, if it is not already included in the accountants' report. Details regarding cash flow statements prepared under the indirect method are further described under the relevant accounting standard dealing with cash flow statements in accordance with HKFRS, IFRS or CASBE.*

- (2) The applicant must have had continuity of ownership and control throughout the full financial year immediately preceding the issue of the listing document and up until the date of listing; and
- (3) The applicant must have been under substantially the same management throughout the ~~2~~two full financial years immediately preceding the issue of the listing document and up until the date of listing.

**The market capitalisation/ revenue/ research and development test**

- (4) A new applicant must have each of the following:
  - (a) an adequate trading record of at least two financial years;
  - (b) continuity of ownership and control throughout the full financial year immediately preceding the issue of the listing document and up until the date of listing;
  - (c) management continuity throughout the two full financial years immediately preceding the issue of the listing document and up until the date of listing;
  - (d) a market capitalisation of at least HK\$250,000,000 at the time of listing;
  - (e) revenue of at least HK\$100,000,000 in aggregate for the two financial years immediately preceding the issue of the listing document, with a year-on-year growth of revenue over the two financial years;
  - (f) expenditure on research and development of at least HK\$30,000,000 in aggregate for the two financial years immediately preceding the issue of the listing document; and

(g) expenditure on research and development amounting to at least 15% of its total operating expenditure for each of the two financial years immediately preceding the issue of the listing document.

Note 1: For the purpose of rule 11.12A(4)(e), only revenue arising from the principal activities of the new applicant and not items of revenue and gains that arise incidentally will be recognised. Revenue arising from “book” transactions, such as banner barter transactions or writing back of accounting provisions or other similar activities resulting from mere book entries, will be disregarded.

Note 2: For the purpose of rules 11.12A(4)(f) and (4)(g), the Exchange will publish guidance on the Exchange’s website, as amended from time to time, on the items that qualify as: (a) expenditure on research and development; and (b) total operating expenditure.

...

11.14 The Exchange may accept a trading record period of less than two financial years for the purposes of rule 11.12A(1) (and an accountants’ report covering a shorter period than that specified in rule 11.10) and waive or vary the ownership and management requirements in rule 11.12A(2) and (3) for prospective new applicants with reasons acceptable to the Exchange in the following cases:

...

## Chapter 13

### EQUITY SECURITIES

#### RESTRICTIONS ON PURCHASE, DISPOSAL AND SUBSCRIPTION

...

##### Restrictions and notification requirements on issuers purchasing their own shares on a stock exchange

...

*Procedures to be complied with*

...

13.08 ...

*Notes: 1 The Explanatory Statement need not contain the statement set out in rule 2.20 concerning the characteristics of GEM nor information on the interests (if any) of ~~the Compliance Adviser (as referred to in rule 6A.31)~~ and all directors, controlling shareholders and their respective close associates (as referred to in rule 11.04).*

...

##### *Dealing restrictions*

13.11 The following dealing restrictions must be adhered to:—

...

(4) an issuer shall not purchase its shares on GEM at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of 1 month immediately preceding the earlier of:

...

(ii) the deadline for the issuer to announce its results for any year or, half-year ~~or quarter~~ ~~year period~~ under rules 18.49 or, 18.78 ~~or 18.79~~ or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

...

...

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 ~~42~~six 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 ~~42~~six 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.

...

## Chapter 14

### EQUITY SECURITIES

#### LISTING DOCUMENTS

...

##### Statement of business objectives

- 14.19 A new applicant must include in its listing document a statement of business objectives, having due regard to the disclosure requirements under Rule 18.08A in its annual reports and interim~~half-year~~ reports, and set out at least the following information:—

...

##### Profit forecasts

...

- 14.30 A profit forecast appearing in a listing document should normally cover a period which is coterminous with the issuer's financial year-end. If, exceptionally the profit forecast period ends at a half ~~or quarter~~-year-end, the interim report for that half ~~or quarter~~ year must be audited. Profit forecast periods not ending on the financial year-end or, half ~~or quarter~~-year-end will not be permitted.

...

## Chapter 16

### EQUITY SECURITIES

#### PUBLICATION REQUIREMENTS

...

##### Methods of publication and dissemination

16.04 Without in anyway limiting the publication, notice or dissemination requirements relevant to an issuer under applicable laws or the issuer's own constitutional documents, the following documents shall be subject to the following minimum publication requirements under these Exchange's Listing Rules:—

...

- (2) all listing documents, annual reports and accounts (and, where applicable, summary financial reports) and interim, ~~half-year~~ reports (and, where applicable, summary interim ~~half-year~~ reports) ~~and quarterly reports~~, and all circulars to shareholders required under the GEM Listing Rules, must be submitted for publication on the Exchange's website in accordance with rules 16.17 and 16.18; and

...

## Chapter 17

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

...

##### **Specific matters relevant to the issuer's business**

...

##### *Continuing disclosure requirements*

17.22 Where the circumstances giving rise to a disclosure obligation under rule 17.15 continue to exist at the issuer's ~~interim half-yearly or quarterly~~ period end or annual financial year end, the information specified under rule 17.17, as at such period end or year end, shall be included in the ~~interim half-year, quarterly~~ or annual report as applicable.

17.23 Where an obligation arises under rules 17.19, 17.20, 17.21 or 17.43, the disclosures required by these rules should be included in subsequent ~~interim half-year, quarterly~~ and annual reports for so long as the circumstances giving rise to the obligation continue to exist.

...

17.24 Where the circumstances giving rise to a disclosure under rule 17.18 continue to exist at the issuer's ~~interim half-yearly or quarterly~~ period end or annual financial year end, its ~~interim half-year, quarterly~~ or annual report must include a combined balance sheet of affiliated companies as at the latest practicable date. The combined balance sheet of affiliated companies should include significant balance sheet classifications and state the issuer's effective economic interest in the affiliated companies. If it is not practicable to prepare the combined balance sheet of affiliated companies, the Exchange, on the issuer's application, may consider accepting, as an alternative, a statement of the indebtedness, contingent liabilities and capital commitments as at the end of the period reported on by affiliated companies.

...

##### **General matters relevant to the issuer's securities**

...

##### *Information on the pledging of securities in the issuer*

17.43 ...

Note: 1 Pursuant to rule 17.23, where any obligation arises under rule 17.43, the requisite disclosure made pursuant to this rule should also be included in subsequent interim~~half-year, quarterly~~ and annual reports of the issuer for so long as the circumstances giving rise to the obligation continue to exist, provided that such disclosure shall not be required after the expiry of the periods referred to in rule 13.16A.

...

## Meetings

...

### *Board meetings*

17.48 An issuer shall publish an announcement at least 7 clear business days in advance of the date fixed for any board meeting at which the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year, ~~quarter-year~~ or other period is to be approved for publication.

...

### *Board decisions*

17.49 An issuer shall announce immediately after (and for the purpose of providing details of) the approval by or on behalf of the board of:—

...

(3) any preliminary announcement of profits or losses for any year, or any interim~~half-year or quarterly~~ report or results announcements for any or other period; and

Notes: 1. *The timing of board meetings is a matter for the convenience and judgement of individual boards, but an issuer should announce decisions on dividends and results as soon as practicable after they have been taken. The directors are reminded that it is their direct responsibility to ensure that such information is kept strictly confidential until it is announced. In the case of a preliminary announcement of results, issuers' attention is drawn to the provisions in Chapter 18 regarding disclosure of interim~~quarterly, half-year~~ and annual results announcements.*

...

### *Suspension on Failure to Publish Timely Financial Information*

17.49A Without prejudice to the generality of rules 18.03, 18.49, 18.53, ~~18.66~~, and 18.78 ~~and 18.79~~, the Exchange will normally require suspension of trading in an issuer's securities if an issuer fails to publish periodic financial information in accordance with the Rules. The suspension will normally remain in force until the issuer publishes an announcement containing the requisite financial information.

...

### **Changes**

17.50 An issuer must publish an announcement as soon as practicable in regard to:—

...

(3) any change in its share registrar (see rule 11.08) (including any change in overseas branch share registrar), secretary (see rule 5.14), ~~compliance officer (see rule 5.19)~~ or member of the audit committee (see rule 5.28);

...

(6) any revision of interim reports, ~~quarterly reports~~, annual reports or summary financial reports, the reason leading to the revision of published financial reports, and the financial impacts, if any.

...

### **Appointments outstanding**

17.51 An issuer shall immediately inform the Exchange and publish an announcement containing the relevant details and reasons if:

(1) ~~[Repealed [●]] there remains outstanding the appointment of any individual(s) to the position of compliance officer as required pursuant to Chapter 5; or~~

...

### **Announcements, circulars and other documents**

#### *Review of documents*

...

17.54 ...

- (3) Any listing document or circular and every annual report and accounts and interim, half-year 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 about the characteristics of GEM, in the form set out in rule 2.20.

...

### Corporate Governance Code

17.101 ...

- (2) Issuers must state whether they have complied with the code provisions set out in Part 2 of Appendix C1 for the relevant accounting period in their interim half-year reports (and summary interim half-year reports, if any) and annual reports (and summary financial reports, if any).

...

- (3) An issuer may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:

...

- (b) in the interim half-year reports (and summary interim half-year reports, if any), either:

...

- (ii) to the extent reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the interim half-year report (or summary interim half-year report) must not contain only a cross-reference without any discussion of the matter.

...

## Chapter 18

### EQUITY SECURITIES

#### FINANCIAL INFORMATION

##### Introduction

18.01 This Chapter sets out the continuing obligations of a listed issuer with regard to the disclosure of routine financial information on an annual ~~and~~, half-yearly ~~and quarterly~~ basis. It also sets out certain recommended disclosure items on discussion and analysis (see rule 18.83) that listed issuers are encouraged to include in their ~~interim half-year~~ and annual reports. These recommended disclosure items are not obligatory, but merely items relating to good practice which are recommended for disclosure. Additional requirements, relating to non-routine financial disclosure, are set out in the following Chapters:

...

18.02 A listed issuer is required to prepare annual financial statements ~~and interim, half-year reports and quarterly reports~~. The contents, timing and publication requirements for each such financial statements or reports are set out in this Chapter.

##### Annual reports

###### *Distribution*

18.03 The listed issuer must send to:—

- (1) every member of the listed issuer; and
- (2) every other holder of its listed securities,

a copy of either (i) the directors' report and its annual financial statements and, where the listed issuer prepares consolidated financial statements, the consolidated financial statements, together with a copy of the auditors' report thereon or (ii) its summary financial report, not less than 21 days before the date of the listed issuer's annual general meeting and not more than ~~four~~<sup>3</sup> months after the date upon which the financial period ended. The issuer may send a copy of its summary financial report to a member and a holder of its listed securities in place of a copy of its annual report and financial statements, provided that it complies with rule 18.81 and the relevant provisions set out in sections 437 to 446 of the Companies Ordinance and in the Companies (Summary Financial Reports) Regulation or, in the case of overseas issuers, with provisions no less onerous than the above provisions for listed issuers incorporated in Hong Kong.

...

Notes: ...

- 6 *Newly listed issuers will be required to prepare and publish the relevant annual report or summary financial report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the ~~four~~3-month deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. The requirements under rule 18.03 are not applicable to the reporting period which ended immediately before the listing of a newly listed issuer if the following is disclosed in its listing document:—*

...

*Information to accompany directors' report and annual financial statements*

...

- 18.08A In each annual report and ~~interim~~half-year report published during at least the first 2 full financial years after listing, a statement by the directors must be included as to the issuer's achievement of its business objectives as stated in its listing document at the time of listing under rule 14.19. The discussion in the statement should include a balanced and concise analysis of the level of achievement of the business objectives in terms of both qualitative and quantitative financial and non-financial information. There should be a description of the principal risks and uncertainties facing the company and a commentary on the directors' approach to them, together with an explanation of any material differences between the disclosure in the listing document and actual business progress in the relevant period (including as to the use of proceeds as indicated in the listing document).

...

...

- 18.44 The following information in respect of an issuer:-
- (1) the full name and professional qualifications (if any) of:-
    - (a) the company secretary of the issuer; ~~and~~

- (b) ~~[Repealed [●]]the compliance officer of the issuer appointed pursuant to rule 5.19; and~~

...

- 18.45 Information as to the interests (if any) of ~~the Compliance Adviser and its directors, employees and close associates, as notified to the issuer pursuant to rule 6A.32 and~~ all directors and controlling shareholders of the issuer and their respective close associates as referred to in rule 11.04.

...

### **Obligation to publish**

- 18.48A A listed issuer must publish (in accordance with the requirements of Chapter 16) its annual report, in respect of each financial year of the listed issuer, not later than ~~four~~<sup>3</sup> months after the date upon which the financial year ended.

...

### **Preliminary announcement of results for the financial year**

...

#### *Content of preliminary announcement*

- 18.50 The preliminary announcement of results for the financial year must contain at least the following information in respect of the group:

...

- (6) a statement as to whether the listed issuer meets the code provisions set out in Part 2 of Appendix C1. The listed issuer must also disclose any deviations from the code provisions with Considered Reasons and Explanation. To the extent reasonable and appropriate, such information may be given by reference to the preceding ~~interim half-year~~ report or to the Corporate Governance Report in the preceding annual report, and summarising any changes since that report. The references must be clear and unambiguous;

...

- 18.50B The preliminary announcements of results for the half-year, preliminary announcements of results for the financial year, ~~interim half-year~~ reports and annual reports of a listed issuer must include the disclosures required under the relevant accounting standards adopted and contain the information set out below in respect

of the group. This information may be included in the notes to the financial statements. In the case of banking companies, the information on results and financial position set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority must be provided in place of that set out in rules 18.50B(1) and 18.50B(2).

...

### **InterimHalf-year reports**

#### *Obligation to prepare and publish*

18.53 The listed issuer shall prepare, in respect of each of the first 6 months of each financial year of the listed issuer, either (i) an interimhalf-year report, or (ii) a summary interimhalf-year report containing at least the information required by rules 18.55 and 18.82, respectively and publish the same (in accordance with the requirements of Chapter 16) not later than three months45 days after the end of such period. The listed issuer may send a copy of its summary interimhalf-year report to a member and a holder of its listed securities in place of a copy of its interimhalf-year report, provided that such summary interimhalf-year report complies with the relevant provisions of the Companies (Summary Financial Reports) Regulation governing summary financial reports.

*Notes: 1 Newly listed issuers will be required to prepare and publish the relevant interimhalf-year report or summary interimhalf-year report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the three-month45-day deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. The requirements under rules 18.53 and 18.54 are not applicable to the interimhalf-year period which ended immediately before the listing of a newly listed issuer if the following is disclosed in its listing document:—*

*(a) the financial information required under Chapter 18 in relation to interimhalf-year reports, in respect of such six-month period (with comparative figures for the corresponding six-month period of the immediately preceding financial year);*

...

*(c) that it will not breach its constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not distributing such interimhalf-year reports.*

...

- 2 *The figures in each interimhalf-year report and summary interimhalf-year report are the sole responsibility of the directors and they must ensure that the accounting policies applied to the figures are consistent with those applied to annual financial statements. If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the interimhalf-year reports or summary interimhalf-year reports.*

18.54 As soon as reasonably practicable after publishing any interimhalf-year report and, where applicable, summary interimhalf-year report, the listed issuer must send a copy of it to the persons specified in rule 18.03.

...

#### *Content of interimhalf-year reports*

18.55 Each interimhalf-year report shall contain the disclosures required under the relevant accounting standards adopted and the information set out below:

...

- (4) a statement in relation to the accounting period covered by the interimhalf-year report on whether the listed issuer meets the code provisions set out in Part 2 of Appendix C1. An issuer may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:

...

- (b) to the extent reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the interimhalf-year report must not only contain a cross-reference without any discussion of the matter;

- (5) in respect of the required standard of dealings set out in rules 5.48 to 5.67, a statement in relation to the accounting period covered by the interimhalf-year report as to:

...

Notes: 1 *An issuer should comply with the relevant standard on interim reporting in respect of its interimhalf-year reports in accordance with the requirements under HKFRS, IFRS, CASBE or the alternative overseas financial reporting standard acceptable to the*

Exchange referred to in rules 18.04 and 18.06 which is adopted for the preparation of its annual financial statements.

2 Each ~~interim half-year~~ report must be reviewed by the issuer's audit committee. In the event that the audit committee disagreed with an accounting treatment which had been adopted in the preparation of the group's ~~interim half-year~~ report, full details of such disagreement should be disclosed together with a quantification of the financial effect arising from the disagreement. Where it is not possible to quantify the effect of the disagreement, or the effect is not significant, a statement to this effect should be made.

3 If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the ~~interim half-year~~ reports.

...

5 A listed issuer should apply the same accounting policies in its interim financial statements as are applied in its annual financial statements except where the change in accounting policy is required by an accounting standard which came into effect during the interim period. Accounting policies which have been consistently applied and which were disclosed in the listed issuer's most recent published audited financial statements or for a newly listed issuer in its recent prospectus may be omitted from the ~~interim half-year~~ reports. Any significant changes in the accounting policies, including those required by an accounting standard, should be disclosed together with the reason for changing in the accounting policy.

...

9 Each ~~interim half-year~~ report must contain, at a prominent position, and in bold type, a statement about the characteristics of GEM, in the form set out in rule 2.20.

10 An ~~interim half-year~~ report shall contain the following information required under other parts of the Listing Rules:

...

18.63 Information as to the interests (if any) of the ~~Compliance Adviser and its directors, employees and close associates, as notified to the issuer pursuant to rule 6A.32 and~~ all directors and controlling shareholders of the issuer and their respective close associates as referred to in rule 11.04.

18.64 Each ~~interim half-year~~ report must state whether or not the information provided therein has been audited (and if so, must set out a copy of the auditors' report

thereon). In the event that any auditors' report thereon (if any) is a modified report, details of such modification must be set out in the interimhalf-year report.

...

## Quarterly reports

### *Obligation to prepare and publish*

18.66 ~~[Repealed [●]]~~The listed issuer shall prepare, in respect of each of the first 3 and 9 month periods of each financial year of the listed issuer, a quarterly report containing at least the information required by rule 18.68 and publish the same (in accordance with the requirements of Chapter 16) not later than 45 days after the end of such period.

*Notes: 1 Newly listed issuers will be required to prepare and publish the relevant quarterly report (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the 45-day deadline for publishing the report falls after the date on which dealings in the securities of the listed issuer commenced. The requirements under rules 18.66 and 18.67 are not applicable to the 3-month or 9-month period which ended immediately before the listing of a newly listed issuer if the following is disclosed in its listing document:—*

- (a) the financial information required under Chapter 18 in relation to quarterly reports, in respect of such 3-month or 9-month period (with comparative figures for the corresponding 3-month or 9-month period of the immediately preceding financial year);*
- (b) a statement as to whether it complies with the code provisions in Part 2 of Appendix C1 and, if not, the Considered Reasons and Explanation in respect of the deviation; and*
- (c) that it will not breach its constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not distributing such quarterly reports.*

*Such a newly listed issuer should publish an announcement no later than the time prescribed in rules 18.66 and 18.67 that the relevant financial information has been included in its listing document.*

~~2 The figures in each quarterly report are the sole responsibility of the directors and they must ensure that the accounting policies applied to the figures are consistent with those applied to annual financial statements. If a change in the financial year is proposed, the Exchange should be consulted as to the period or periods to be covered by the quarterly reports.~~

18.67 ~~[Repealed [●]]~~As soon as reasonably practicable after publishing any quarterly report, the listed issuer must send a copy of it to the persons specified in rule 18.03.

Note: ~~[Repealed 1 January 2011]~~

#### ~~Content of quarterly reports~~

18.68 ~~[Repealed [●]]~~Each quarterly report shall contain at least the following information in respect of the group:—

- ~~(1) the information set out in rule 18.79; and~~
- ~~(2) the further information set out in rules 18.69 to 18.76 below.~~

Notes: ~~1 Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adjustments should be made. Where the requirements of this Note are unsuited to the listed issuer's activities or circumstances, the Exchange may require suitable adaptations to be made.~~

~~2 The Exchange may authorise the omission from a quarterly report of specified items of information if it considers:—~~

- ~~(a) such omission to be necessary or appropriate; or~~
- ~~(b) disclosure of such information would be contrary to the public interest or seriously detrimental to the issuer,~~

~~provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.~~

~~3 The issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for an exemption under Note 2 above is based.~~

~~4 Each quarterly report must contain, at a prominent position, and in bold type, a statement about the characteristics of GEM, in the form set out in rule 2.20.~~

~~5 Each quarterly report must be reviewed by the issuer's audit committee.~~

6 ~~A quarterly report shall contain the following information required under other parts of the Listing Rules:~~

- ~~(a) advance to an entity under rule 17.22;~~
- ~~(b) pledging of shares by the controlling shareholder under rule 17.23;~~
- ~~(c) loan agreements with covenants relating to specific performance of the controlling shareholder under rule 17.23;~~
- ~~(d) breach of loan agreement by an issuer under rule 17.23; and~~
- ~~(e) financial assistance and guarantees to affiliated companies of an issuer under rule 17.24.~~

18.69 [Repealed [●]]

~~(1) Subject to rule 18.69(2), a statement as at the end of the relevant period showing the interests and short positions of each director and chief executive of the listed issuer in the shares, underlying shares and debentures of the listed issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance):~~

- ~~(a) as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance; or~~
- ~~(b) as otherwise notified to the listed issuer and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 (which for purposes of this sub-paragraph shall be deemed to apply to the PRC issuer's supervisors to the same extent as it applies to directors); or~~
- ~~(c) if there is no such interests or short positions, a statement of that fact,~~

~~provided that the Exchange may agree, in its sole discretion, that compliance with this sub-paragraph may be modified or waived in respect of any associated corporation if, in the opinion of the Exchange, the number of associated corporations in respect of which each director and chief executive is taken or deemed to have an interest under Part XV of the Securities and Futures Ordinance is such that compliance with this sub-paragraph would result in particulars being given which are not material in the context of the group and are of excessive length.~~

~~(2) The information required to be included by virtue of rule 18.69(1) must specify the company in which interests or short positions are held, the class~~

to which these securities belong and the number of such securities held, but need not disclose:

- (a) ~~the interests of a director or a chief executive officer in the shares of the listed issuer or any of its subsidiaries if such interest is held solely in a non-beneficial capacity and is for the purpose of holding the requisite qualifying shares; or~~
- (b) ~~the non-beneficial interests of directors or chief executive officers in the shares of any subsidiary of the listed issuer in so far as that interest comprises the holding of shares subject to the terms of a written, valid and legally enforceable declaration of trust in favour of the parent company of that subsidiary or the listed issuer and such interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member.~~

*Note: ~~Where interests in securities arising from the holding of such securities as qualifying shares are not disclosed pursuant to the exception provided in this paragraph, a general statement should nevertheless be made to indicate that the directors hold qualifying shares.~~*

18.70 ~~[Repealed [●]]~~A statement as at the end of the relevant period showing the interests or short positions of every person, other than a director or chief executive of the listed issuer, in the shares and underlying shares of the listed issuer as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance, or if there is no such interests or short positions recorded in the register, a statement of that fact.

*Notes: 1 ~~For the purposes of rules 18.69 and 18.70, particulars should be given of the extent of any duplication which occurs.~~*

*2 ~~In the case of a PRC issuer, references to director or chief executive in rules 18.69 and 18.70 inclusive shall also mean and include supervisors.~~*

18.71 ~~[Repealed [●]]~~Statements disclosing interests and short positions in shares, underlying shares and debentures have to separately refer to three categories of persons, namely, directors and chief executives, substantial shareholders and other persons who are required to disclose their interests. Such statements should describe the capacity in which such interests and short positions are held and the nature of such interests and short positions as disclosed in the prescribed forms required to be used, when giving notice pursuant to sections 324 and 347 of Part XV of the Securities and Futures Ordinance. Where interests or short positions are attributable on account of holdings through corporations that are not wholly owned by the person making disclosure, the percentage interests held by such person in such corporations should be disclosed.

18.71A ~~[Repealed [●]]~~ For directors and chief executives, the statements should show details of the following matters as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance:

- (1) aggregate long position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the issuer and its associated corporation(s) showing separately for each entity:
  - (a) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds);
  - (b) interests in debentures; and
  - (c) interests under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:
    - (i) physically settled equity derivatives;
    - (ii) cash settled equity derivatives;
    - (iii) other equity derivatives.

*Notes:*

- (1) ~~In the case of issuers and associated corporations, the statements should include the percentage which the aggregate long position in shares represents to the issued voting shares of the issuer or associated corporation.~~
- (2) ~~A long position arises where a person is a party to an equity derivative, by virtue of which the person:
  - (i) has a right to take the underlying shares;
  - (ii) is under an obligation to take the underlying shares;
  - (iii) has a right to receive money if the price of the underlying shares increases; or
  - (iv) has a right to avoid or reduce a loss if the price of the underlying shares increases.~~
- (3) ~~For (c)(i) above, in respect of options granted to directors or chief executives pursuant to share option schemes under Chapter 23 of the GEM Listing Rules, the statements should show such details as are required to be disclosed under Rule 23.07(1) of the GEM Listing Rules.~~

- (2) ~~aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the issuer and its associated corporation(s) showing separately for each entity:~~
- ~~(a) short positions in respect of shares arising under a stock borrowing and lending agreement; and~~
  - ~~(b) short positions under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:
 
    - ~~(i) physically settled equity derivatives;~~
    - ~~(ii) cash settled equity derivatives; and~~
    - ~~(iii) other equity derivatives.~~~~

*Notes:*

- ~~(1) In the case of issuers or associated corporations, the statements should include the percentage which the aggregate short position in shares represents to the issued voting shares of the issuer or associated corporation.~~
- ~~(2) A short position arises:
 
  - ~~(i) where the person is the borrower of shares under a securities borrowing and lending agreement, or has an obligation to deliver the underlying shares to another person who has lent shares;~~
  - ~~(ii) where the person is the holder, writer or issuer of any equity derivatives, by virtue of which the person —
 
    - ~~(a) has a right to require another person to take the underlying shares of the equity derivatives;~~
    - ~~(b) is under an obligation to deliver the underlying shares of the equity derivatives to another person;~~
    - ~~(c) has a right to receive from another person money if the price of the underlying shares declines; or~~
    - ~~(d) has a right to avoid a loss if the price of the underlying shares declines.~~~~~~

18.71B ~~[Repealed [●]]~~For substantial shareholders, the statements should show details of the following matters as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance:

- (1) ~~aggregate long position in the shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the issuer showing separately:~~
- ~~(a) interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds); and~~
  - ~~(b) interests under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:~~
    - ~~(i) physically settled equity derivatives; and~~
    - ~~(ii) cash settled equity derivatives.~~

*Notes:*

- ~~(1) The statements should include the percentage which the aggregate long position in shares represents to the issued voting shares of the issuer.~~
  - ~~(2) A long position arises where a person is a party to an equity derivative, by virtue of which the person:~~
    - ~~(i) has a right to take the underlying shares;~~
    - ~~(ii) is under an obligation to take the underlying shares;~~
    - ~~(iii) has a right to receive money if the price of the underlying shares increases; or~~
    - ~~(iv) has a right to avoid or reduce a loss if the price of the underlying shares increases.~~
  - ~~(3) For (b)(i) above, in respect of options granted to substantial shareholders pursuant to share option schemes under Chapter 23 of the GEM Listing Rules, the statements should show such details as are required to be disclosed under Rule 23.07(1) of the GEM Listing Rules.~~
- (2) aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares of the issuer showing separately:
- (a) short positions in respect of shares arising under a stock borrowing and lending agreement; and
  - (b) short positions under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:

- (i) ~~physically settled equity derivatives; and~~
- (ii) ~~cash settled equity derivatives.~~

*Notes:*

~~(1) The statements should include the percentage which the aggregate short position in shares represents to the issued voting shares of the issuer.~~

~~(2) A short position arises:~~

~~(i) where the person is the borrower of shares under a securities borrowing and lending agreement, or has an obligation to deliver the underlying shares to another person who has lent shares;~~

~~(ii) where the person is the holder, writer or issuer of any equity derivatives, by virtue of which the person—~~

~~(a) has a right to require another person to take the underlying shares of the equity derivatives;~~

~~(b) is under an obligation to deliver the underlying shares of the equity derivatives to another person;~~

~~(c) has a right to receive from another person money if the price of the underlying shares declines; or~~

~~(d) has a right to avoid a loss if the price of the underlying shares declines.~~

18.71C ~~[Repealed [●]]~~For other persons whose interests are recorded (or, in the case of a new listing, are required to be recorded) in the register required to be kept under section 336 of the Securities and Futures Ordinance, the statements should show details of the same matters as are required to be disclosed in the case of a substantial shareholder pursuant to Rule 18.71B, except that note (3) to Rule 18.71B(1) does not apply.

18.72 ~~[Repealed [●]]~~An explanatory statement relating to the activities of the group and profit (or loss) during the relevant period which must include any significant information enabling investors to make an informed assessment of the trend of the activities and profit (or loss) of the group together with an indication of any special factor which has influenced those activities and the profit (or loss) during the period in question, and enable a comparison to be made with the corresponding period of the preceding financial year and must also, as far as possible, refer to the prospects of the group in the current financial year.

...

- 18.74 ~~[Repealed [●]] Any supplementary information which in the opinion of the directors of the listed issuer is necessary for a reasonable appreciation of the results for the relevant period.~~
- 18.75 ~~[Repealed [●]] Information as to the interests (if any) of the Compliance Adviser and its directors, employees and close associates, as notified to the issuer pursuant to rule 6A.32 and all directors and controlling shareholders of the issuer and their respective close associates as referred to in rule 11.04.~~
- 18.76 ~~[Repealed [●]] Each quarterly report must state whether or not the information provided therein has been audited (and if so, must set out a copy of the auditors' report thereon). In the event that any auditors' report thereon (if any) is a modified report, details of such modification must be set out in the quarterly report.~~

...

#### **Preliminary announcement of results for each of the first 6 monthsu of each financial year**

- 18.78 A listed issuer must publish (in accordance with the requirements of Chapter 16) a preliminary announcement of the results for the first 6 months of each financial year, containing at least the information set out below, on the Exchange's website as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board of the results. The issuer must publish such results not later than two months~~45 days~~ after the end of such period:
- (1) the information in respect of the statement of profit or loss and other comprehensive income and the statement of financial position as set out in rule 18.50B comprising statement of profit or loss and other comprehensive income for the current interim period, with comparative figures for the comparable period of the immediately preceding financial year and statement of financial position as at the end of the interim period, with comparative figures as at the end of the immediately preceding financial year. The listed issuer must include the notes relating to revenue, taxation, earnings per share, dividends and any other notes that the directors consider necessary for a reasonable appreciation of the results for the financial period. The statement of profit or loss and other comprehensive income and statement of financial position shall be as they appear in the listed issuer's full interim~~half-year~~ report;
- ...
- (6) a statement as to whether or not the interim~~half-year~~ results have been reviewed by external auditors or the audit committee of the listed issuer;

...

(8) ...

*Note: A listed issuer should apply the same accounting policies in its interim half-year financial statements as are applied in its annual financial statements, except where the change in accounting policy is required by an accounting standard which came into effect during the interim half-year period.*

(9) ...

*Note: Newly listed issuers will be required to prepare and publish the relevant interim half-year results (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the two-month 45-day deadline for publishing the results falls after the date on which dealings in the securities of the listed issuer commenced. The requirements under rule 18.78 are not applicable to the interim half-year period which ended immediately before the listing of a newly listed issuer if the following is disclosed in its listing document:—*

- (a) the financial information required under Chapter 18 in relation to interim half-year results announcements, in respect of such six-month period (with comparative figures for the corresponding six-month period of the immediately preceding financial year); and*
- (b) that it will not breach its constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not publishing such interim half-year results announcements.*

...

**Preliminary announcement of results for each of the first 3 and 9 month periods of each financial year**

18.79 ~~[Repealed [●]]~~ Issuers' preliminary announcements of results for each of the first 3 and 9 month periods of each financial year must contain at least the information set out below stated in respect of the group and such information must be published (in accordance with the requirements of Chapter 16) on the Exchange's website as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board of the results. The issuer must publish such results not later than 45 days after the end of such period:

- (1) revenue;
- (2) profit (or loss) before taxation, including the share of profit (or loss) of associates and joint ventures with separate disclosure of any items included therein which are exceptional because of size and incidence;
- (3) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation with separate disclosure of the taxation on share of associates and joint ventures' profits;
- (4) profit (or loss) attributable to non-controlling interests;
- (5) profit (or loss) attributable to shareholders;
- (6) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby (or an appropriate negative statement);
- (7) all movements to and from any reserves;
- (8) earnings per share;
- (9) comparative figures of the matters specified in (1) to (8) inclusive for the corresponding previous period; and
- (10) particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement.

*Notes: 1 Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adjustments should be made. Where the requirements of this Note are unsuited to the listed issuer's activities or circumstances, the Exchange may require suitable adaptations to be made.*

*2 The Exchange may authorise the omission from the preliminary announcement of any information if it considers:—*

*(a) such omission to be necessary or appropriate; or*

*(b) disclosure of such information would be contrary to the public interest or seriously detrimental to the issuer,*

*provided that such omission would not be likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question.*

*3 The issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for an exemption under Note 2 above is based.*

4 ~~Newly listed issuers will be required to prepare and publish the relevant 3-month or 9-month results (irrespective of whether the period in question ends on a date before or after the date on which dealings in the securities of the listed issuer commenced) where the 45-day deadline for publishing the results falls after the date on which dealings in the securities of the listed issuer commenced. The requirements under rule 18.79 are not applicable to the 3-month or 9-month period which ended immediately before the listing a newly listed issuer if the following is disclosed in its listing document:—~~

~~(a) the financial information required under Chapter 18 in relation to quarterly results announcements, in respect of such 3-month or 9-month period (with comparative figures for the corresponding 3-month or 9-month period of the immediately preceding financial year); and~~

~~(b) that it will not breach its constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not publishing such quarterly results announcements.~~

~~Such a newly listed issuer should publish an announcement no later than the time prescribed in rule 18.79 that the relevant financial information has been included in its listing document.~~

...

#### Summary interimhalf-year reports

18.82 Summary interimhalf-year reports shall include, as a minimum, the following information in respect of the listed issuer:—

...

- (4) where the accounting information contained in a summary interimhalf-year report has been audited by the listed issuer's auditors, an opinion from the auditors as to whether the summary interimhalf-year report is consistent with the full interimhalf-year report from which it is derived;
- (5) names of the director(s) who have signed the full interimhalf-year report on behalf of the board of directors of the listed issuer;
- (6) a statement to the effect that the summary interimhalf-year report only gives a summary of the information and particulars contained in the listed issuer's full interimhalf-year report;

- (7) a statement as to how an entitled person may obtain free of charge a copy of the listed issuer's full interim~~half-year~~ report from which the summary interim~~half-year~~ report is derived; and
- (8) a statement as to the manner in which an entitled person may in future notify the listed issuer of his wishes to receive a copy of a summary interim~~half-year~~ report in place of a copy of the full interim~~half-year~~ report from which it is derived.

...

#### **Recommended additional disclosure**

- 18.83 Issuers are encouraged to disclose the following additional commentary on discussion and analysis in their interim~~half-year~~ and annual reports:

...

**Chapter 18A**  
**EQUITY SECURITIES**  
**MINERAL COMPANIES**

...

**CONDITIONS FOR LISTING OF NEW APPLICANT MINERAL COMPANIES**

...

18A.04 The Exchange may accept a trading record period of less than two financial years for rule 11.12A(1) (and an accountants' report covering a shorter period than that specified in rule 11.10) for a new applicant Mineral Company provided that its directors and senior managers, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience. Details of the relevant experience must be disclosed in the listing document of the new applicant.

...

...

## Chapter 19

### EQUITY SECURITIES

#### NOTIFIABLE TRANSACTIONS

...

##### Definitions

19.04 ...

(12) “total assets” means:—

- (a) in respect of a listed issuer, the total fixed assets, including intangible assets, plus the total current and non-current assets, as shown in its accounts or latest published ~~half-year, quarterly or other~~ interim reports (whichever is more recent), subject to any adjustments or modifications arising by virtue of the provisions of rules 19.16, 19.18 and 19.19; and

...

...

##### Provisions to deter circumvention of new listing requirements

...

##### *Extreme transactions*

19.06C An “extreme transaction” is an acquisition or a series of acquisitions of assets by a listed issuer, which individually or together with other transactions or arrangements, may, by reference to the factors set out in Note 1 to rule 19.06B, have the effect of achieving a listing of the acquisition targets, but where the issuer can demonstrate that it is not an attempt to circumvent the requirements for new applicants set out in Chapter 11 of the GEM Listing Rules and that:

...

- (2) the acquisition targets meet the requirements of rule 11.06 and rule 11.12A (or rule 11.14) and the enlarged group meets all the new listing requirements in Chapter 11 of the GEM Listing Rules (except rule 11.12A).

*Note: Where the extreme transaction involves a series of transactions and/or arrangements and the acquisition targets cannot meet rules 11.12A(2) and/or (3) or 11.12A(4)(b) and/or (c) (as the case may be) due to a change in their ownership and management solely as*

*a result of the acquisition by the issuer, the Exchange may grant a waiver from strict compliance with these rules based on the facts and circumstances of the case. In considering a waiver of rule 11.12A(3) or 11.12A(4)(c), the Exchange will consider, among others, whether the issuer has the expertise and experience in the relevant business/industry of the acquisition targets to ensure the effective management and operation of the acquisition targets.*

...

*Figures used in total assets, profits and revenue calculations*

19.16 A listed issuer must refer to the total assets shown in its accounts or latest published ~~half-year, quarterly or other~~ interim report (whichever is more recent) and adjust the figures by:

- (1) the amount of any dividend proposed by the listed issuer in such accounts and any dividend declared by the listed issuer since the publication of such accounts or ~~half-year, quarterly or other~~ interim report; and

...

...

*Aggregation of transactions*

19.22 In addition to the aggregation of transactions under rules 19.06B, 19.06C and 19.06E, the Exchange may require listed issuers to aggregate a series of transactions and treat them as if they were one transaction if they are all completed within a 12 month period or are otherwise related. In such cases, the listed issuer must comply with the requirements for the relevant classification of the transaction when aggregated and the figures to be used for determining the percentage ratios are those as shown in its accounts or latest published ~~half-year, quarterly or other~~ interim report (whichever is more recent), subject to any adjustments or modifications arising by virtue of the provisions of rules 19.16, 19.18 and 19.19.

...

**Additional requirements for reverse takeovers**

19.54 ...

*Notes:*

...

3. *Where the reverse takeover involves a series of transactions and/or arrangements and the acquisition targets cannot meet rule 11.12A(2) and/or*

*(3) or 11.12A(4)(b) and/or (c) (as the case may be) due to a change in their ownership and management solely as a result of the acquisition by the issuer, the Exchange may grant a waiver from strict compliance with these rules based on the facts and circumstances of the case. In considering a waiver of rule 11.12A(3) or 11.12A(4)(c), the Exchange will consider, among others, whether the issuer has the expertise and experience in the relevant business/industry of the acquisition targets to ensure the effective management and operation of the acquisition targets.*

...

### **Contents of circulars**

...

#### *Major transaction circulars*

19.66 A circular relating to a major transaction must contain the following:—

...

- (9) information as to the competing interests (if any) of ~~the Compliance Adviser and each of the directors, employees and close associates (as referred to in rule 6A.32) and~~ each of the directors and any proposed director of the issuer (excluding its subsidiaries) and his/her respective close associates (as if each of them were treated as a controlling shareholder under rule 11.04);

...

...

**Chapter 20**  
**EQUITY SECURITIES**  
**CONNECTED TRANSACTIONS**

...

**Circulars**

...

20.68 The circular must contain at least:

...

- (15) information regarding the competing interests (if any) of ~~the Compliance Adviser and its directors, employees and close associates (as referred to in rule 6A.32)~~ and each of the directors and any proposed director of the listed issuer and his respective close associates as would be required to be disclosed under rule 11.04 as if each of them was a controlling shareholder; and

...

...

## Chapter 23

### EQUITY SECURITIES

#### SHARE SCHEMES

...

##### Restrictions on the time of grant of options or awards

23.05 An issuer may not grant any options or awards after inside information has come to its knowledge until (and including) the trading day after it has announced the information. In particular, it may not grant any options or awards during the period commencing one month immediately before the earlier of:

...

- (2) the deadline for the issuer to announce its results for any year or, half-year ~~or quarter-year period~~ under rules 18.49 or, 18.78 ~~or 18.79~~ or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

...

...

##### Disclosure in annual report and interim report

23.07 The listed issuer must disclose in its annual report and interim ~~half-year~~ report the following information in relation to options and awards granted and to be granted under its share scheme(s) to: (i) each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates; (ii) each participant with options and awards granted and to be granted in excess of the 1% individual limit; (iii) each related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of shares in issue; and (iv) other employee participants, related entity participants and service providers by category:—

...

**Chapter 24**  
**EQUITY SECURITIES**  
**OVERSEAS ISSUERS**

...

**Chapters 17 and 18 -\_Continuing Obligations and Financial Information**

...

*Annual report and accounts and auditors' report*

...

24.18A ...

*Notes:*

...

3. *An overseas issuer is also required to include a reconciliation statement in its ~~interim half-year and quarterly~~ report. The reconciliation statement contained in the annual accounts or ~~interim half-year and quarterly~~ report must be reviewed by its auditor.*
  
4. *An overseas issuer with a dual listing that adopts one of the alternative standards referred to in Note 2 above (other than issuers incorporated in a member state of the European Union which have adopted EU-IFRS) for the preparation of its annual accounts must adopt HKFRS or IFRS if it de-lists from the jurisdiction of that alternative standard and must do so for any annual ~~and, interim and quarterly~~ financial statements that fall due under the GEM Listing Rules, and are published, after the first anniversary of the date of its de-listing.*

...

*~~Interim Half-year reports and quarterly reports~~*

- 24.22 If the overseas issuer publishes an ~~interim half-year or quarterly~~ report in its country of incorporation or other establishment, the Exchange may authorise it to publish that report (as necessary, translated into English and Chinese) instead of the ~~interim half-year or quarterly~~ report provided for in Chapter 18, provided that the information given is equivalent to that which would otherwise have been required.

...

## Chapter 25

### EQUITY SECURITIES

#### ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

...

#### Chapters 17 and 18 – Continuing Obligations and Financial Information

...

#### *InterimHalf-year and quarterly reports*

- 25.34 If the PRC issuer publishes an interim ~~half-year or quarterly~~ report in the PRC, the Exchange may authorise it to publish that report (if necessary, translated into English and Chinese) instead of the ~~interim half-year and quarterly~~ reports provided for in Chapter 18, provided that the information given is equivalent to that which would otherwise have been required.

...

## Chapter 31

### DEBT SECURITIES

#### CONTINUING OBLIGATIONS

##### Preliminary

...

- 31.03 Unless otherwise stated, the publication requirements contained in Chapter 16 apply to all announcements (including notices) required of an issuer or guarantor under the GEM Listing Rules, all listing documents, annual reports and accounts (including, where applicable, summary financial reports), ~~half-year and interim~~ quarterly reports and circulars to holders of its listed securities required of an issuer under the GEM Listing Rules and all other documents which are corporate communications required of an issuer under the GEM Listing Rules.

...

...

##### Notification

...

##### *Information relating to rights involving the share capital of another company*

- 31.16 Where listed debt securities carry rights of conversion or exchange into or subscription for the share capital of another company, or are guaranteed by another company, the issuer must ensure that adequate information is at all times available about the other company and about any changes in the rights attaching to the shares to which such rights of conversion, exchange or subscription relate. This must include the availability of the annual report and accounts of the other company together with its half-yearly, ~~quarterly~~ or other interim reports and any other information necessary for a realistic valuation of such listed debt securities to be made.

...

##### Announcements, circulars and other documents

...

##### *Forwarding of documents, circulars, etc.*

- 31.21 The issuer shall publish:—
- (1) one copy of each of the English language version and the Chinese language version (where applicable) of:—

...

- (c) any ~~half-year or quarterly~~ interim report prepared by the issuer as soon as possible after it has been approved by the board of directors of the issuer;

...

...

## Appendix D1A

### CONTENTS OF LISTING DOCUMENTS

#### Equity Securities

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

...

#### Information about the issuer's management

...

42. (1) The full names and professional qualifications, if any, of:—
- (a) the secretary of the issuer;
  - (b) ~~[Repealed [●]]the compliance officer of the issuer appointed pursuant to rule 5.19.~~

...

## Appendix D1B

### CONTENTS OF LISTING DOCUMENTS

#### Equity Securities

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

...

#### Information about the issuer's management

...

35. (1) The full names and professional qualifications, if any, of:—
- (a) the secretary of the issuer; and
  - (b) ~~[Repealed [●]]the compliance officer to the issuer appointed pursuant to rule 5.19.~~

...

#### Miscellaneous

43. Information as to the interests (if any) ~~of the Sponsor or Compliance Adviser, as applicable, and its directors, employees and close associates (as referred to in rule 6A.32) and~~ of all directors, and controlling shareholders of the issuer and their respective close associates (as referred to in rule 11.04). (Note 8)

...

## Appendix D1C

### CONTENTS OF LISTING DOCUMENTS

#### Debt Securities

##### In the case where listing is sought for debt securities

...

42. (1) Where required by Chapter 7, a report by the reporting accountants in accordance with that Chapter. In the case of an issuer the equity securities of which are listed on GEM (or the holding company of which has its equity securities listed on GEM), if more than ~~45 days~~two months have elapsed since the last ~~half-year or quarterly~~ interim reporting date, a relevant interim financial statement covering the period up to such date must be included in the listing document or appended to it. If the interim financial statement is unaudited, this fact must be stated.

##### Information about the issuer's management

...

47. (1) The full name and professional qualifications, if any of:—
- (a) the secretary of the issuer; ~~and~~
  - (b) [Repealed [●]] ~~the compliance officer of the issuer (if any).~~

...

##### Miscellaneous

54. Information as to the interests (if any) ~~of the Sponsor (if required) and its directors, employees and close associates (as referred to in rule 6A.32) and of all directors and controlling shareholders and, in relation only to the initial listing document, substantial shareholders of the issuer and their respective close associates (as referred to in 11.04).~~

...

# Regulatory Forms

## FORMS RELATING TO LISTING

### FORM A

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

...

14. Particulars of the authorised representatives of the issuer (see rule 5.245.19 of the GEM Listing Rules):

...

# Regulatory Forms

## FORMS RELATING TO LISTING

### FORM B

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

...

#### NOTES

- (1) ~~*[Repealed [●]] Please refer to rule 6A.34 of the GEM Listing Rules. In circumstances where a listed issuer proposes to issue a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule in 6A.19 or any period fixed for the purposes of rule 6A.20, the Issuer's Compliance Adviser (or adviser appointed under rule 6A.37) shall be responsible for dealing with the Exchange.*~~

...

# Regulatory Forms

## FORMS RELATING TO LISTING

### FORM C

#### Application Form - Debt securities

...

#### NOTES

...

- (2) ~~Please refer to rules 6A.34 and 27.04 of the GEM Listing Rules for guidance. In circumstances where the Issuer proposes to issue a listing document of the type referred to in rule 6A.36 within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20 the Sponsor or adviser of the Issuer or the Issuer's holding company shall be responsible for dealing with the Exchange.~~

...

# Appendix C1

## CORPORATE GOVERNANCE CODE

### INTRODUCTION

...

#### Part 2 – Principles of good corporate governance (“Principles”), code provisions and recommended best practices

...

What is “comply or explain”?

1. Issuers must state whether they have complied with the code provisions for the relevant accounting period in their annual reports (and summary financial reports, if any) and interim half-year reports (and summary interim half-year reports, if any).
2. If an issuer considers that it can adopt the Principles without applying the code provisions, it may deviate from the code provisions (i.e. adopt action(s) or step(s) other than those set out in the code provisions) provided that the issuer sets out:

...

- (b) in the interim half-year reports (and summary interim half-year reports, if any) either:

...

- (ii) to the extent reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes for any deviation not reported in that annual report with Considered Reasons and Explanation. The references must be clear and unambiguous, and the interim half-year report (or summary interim half-year report) must not contain only a cross-reference without any discussion of the matter.

...

### PART 1 – MANDATORY DISCLOSURE REQUIREMENTS

...

#### E. BOARD COMMITTEES

The following information for each of the audit committee, remuneration committee, nomination committee, risk committee (if any), and corporate governance functions:

...

- (d) a summary of the work during the year, including:
- (i) for the audit committee, a report on how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the board itself, its review of the risk management and internal control systems, the effectiveness of the issuer's internal audit function, and its other duties under the Corporate Governance Code. Details of non-compliance with rule 5.28 (if any) and an explanation of the remedial steps taken by the issuer to address non-compliance with establishment of an audit committee;

...

...

## **PART 2 – PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES**

...

### **D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT**

#### **D.1 Financial reporting**

...

##### **Recommended Best Practices**

D.1.5 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter. These should disclose sufficient information to enable shareholders to assess the issuer's performance, financial position and prospects. An issuer's quarterly financial results should be prepared using the accounting policies of its half-year and annual accounts.

D.1.6 Once an issuer announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reason(s) for this decision.

...

#### **D.3 Audit Committee**

...

##### **Code Provisions**

...

D.3.3 The audit committee's terms of reference should include at least:-

...

*Review of the issuer's financial information*

- (d) to monitor integrity of the issuer's financial statements and annual report and accounts, ~~half-year~~interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the board, the committee should focus particularly on:-

...

---

# APPENDIX IV: DRAFT AMENDMENTS TO THE MAIN BOARD LISTING RULES

---

*Note: Unless otherwise specified, the draft amendments contained in this appendix are based on the amendments to the Main Board Listing Rules that will take effect from 31 December 2023 following our Consultation Conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published on 30 June 2023.*

## Chapter 1

### GENERAL

#### INTERPRETATION

...

1.01 ...

**“New Listing”**

means a new listing of equity securities or interests (including equity securities, interests in a REIT, stapled securities and securities of an investment company (as defined in rule 21.01)) issued by a new applicant, irrespective of whether there is an offering of equity securities or interests

For the avoidance of doubt, “New Listing” includes a reverse takeover of a listed issuer which is a deemed new listing under rule 14.54 and a transfer of listing of equity securities or interests from GEM to Main Board under Chapter 9A or 9B, but does not include any other new listing of equity securities or interests issued by an issuer whose equity securities or interests are already listed on a stock market operated by the Exchange

...

## Chapter 7

### EQUITY SECURITIES

#### METHODS OF LISTING

...

#### Transfer of Listing from GEM

- 7.35 An issuer already listed on GEM may transfer the listing to the Main Board pursuant to rules and regulations from time to time prescribed by the Exchange for this purpose. The relevant conditions, requirements and procedures are set out in Chapters 9A and 9B.

...

## Chapter 8

### EQUITY SECURITIES

#### QUALIFICATIONS FOR LISTING

##### Preliminary

8.01 ...

Further conditions are set out in Chapters 8A, 18, 18A, 18B, 18C, 19, 19A, 19B and 19C for issuers seeking a listing of equity securities under those chapters. For a transfer of listing from GEM, the requirements of this Chapter are applied with modifications as set out in the rules and regulations under Chapters 9A and 9B for that purpose. Issuers are reminded:—

...

...

## Chapter 9A

### EQUITY SECURITIES

#### TRANSFER OF LISTING FROM GEM TO MAIN BOARD

##### Preliminary

...

9A.01B This Chapter sets out the basic conditions and requirements for a transfer of listing of a GEM issuer's securities to the Main Board. Further conditions are set out in Chapter 9B for an Eligible Issuer (as defined in rule 9B.01) that satisfies the requirements and applies for a streamlined transfer of listing of its securities from GEM to the Main Board under that Chapter.

##### Qualifications for transfer

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

...

- (3) (a) it has not been held to have committed a serious breach of any GEM Listing Rules or Exchange Listing Rules in the 12 months preceding the transfer application and until the commencement of dealings in its securities on the Main Board; and
- (b) it is has not been the subject of any disciplinary investigation by the Exchange, or any ongoing disciplinary proceedings under Chapter 3 of the GEM Listing Rules, in relation to a serious breach or potentially serious breach of any GEM Listing Rules or Exchange Listing Rules as at (i) the date of the transfer application and (ii) the date when dealing in its securities commences on the Main Board.

...

9A.03 The following ~~modifications~~ requirements do not apply to a transfer of listing from GEM to the Main Board under this Chapter or Chapter 9B:—

- (1A) ~~the~~ requirement for the publication of a Post Hearing Information Pack under rule 12.01B; and-
- (1B) [Repealed 31 December 2023]
- (1C) the requirement for the payment of the initial listing fee under rule 9.03(1)(b) and paragraph 1(1) of the Fees Rules.

...

...

### Effect of transfer

...

- 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~~ period directed by the Exchange pursuant to GEM rule 6A.20, this GEM requirement relating to the appointment of a Compliance Adviser 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 to a GEM transfer applicant.

## **Chapter 9B**

### **EQUITY SECURITIES**

#### **STREAMLINED TRANSFER OF LISTING FROM GEM TO MAIN BOARD**

##### **Preliminary**

- 9B.01 This Chapter sets out conditions and requirements for a streamlined transfer of listing of an Eligible Issuer's securities from GEM to the Main Board with the exemptions set out in rule 9B.04. For the purpose of this Chapter, unless otherwise stated, an "Eligible Issuer" means a GEM listed issuer seeking a listing of equity securities on the Main Board by satisfying the listing eligibility requirements of Main Board Chapter 8 and/or Chapter 18 (Mineral Companies) and also meeting the qualifications set out in rule 9B.03.
- 9B.02 Chapter 9A applies to an Eligible Issuer subject to additional requirements, modifications and exceptions as set out or referred to in this Chapter.

##### **Qualifications for a streamlined transfer**

- 9B.03 An Eligible Issuer applying for a transfer of listing of its securities from GEM to the Main Board under this Chapter must meet rule 9A.02, subject to modifications and additional requirements as follows:
- (1) the reference to "first full financial year" under rule 9A.02(2) is modified to "three full financial years";
  - (2) the volume weighted average market capitalisation of the Eligible Issuer's securities over the Reference Period must meet 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, for the purpose of the transfer application;
  - (3) an Eligible Issuer must have had continuity of ownership and control throughout the three full financial years immediately preceding the transfer application and until the commencement of dealings in its securities on the Main Board;
  - (4) an Eligible Issuer must have not effected any acquisition, disposal or other transaction or arrangement of a series of acquisitions, disposals or other transactions or arrangements, that resulted in a fundamental change in its principal business activities throughout the three full financial years immediately preceding the transfer application and until the commencement of dealings in its securities on the Main Board; and
  - (5) an Eligible Issuer must have a daily turnover of its securities (as stated in the Exchange's daily quotations sheets) of at least HK\$[●] on not less than 50% of all trading days over the Reference Period.

Notes:

1. For the purpose of this rule,
  - (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;
  - (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.
2. The daily market capitalisation referred to in Note 1(a) 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 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.
3. Where an Eligible Issuer applying for transfer under this Chapter is a Mineral Company as defined under rule 18.01:
  - (a) the Eligible Issuer must have either: (i) at the time of its initial listing on GEM, satisfied GEM rule 18A.05 and (where applicable) GEM rules 18A.06 to 18A.08; or (ii) during its listing on GEM, satisfied GEM rule 18A.09 if it conducted a Relevant Notifiable Transaction as defined under GEM rule 18A.01; and
  - (b) if the Eligible Issuer is unable to satisfy either the profit test in rule 8.05(1), the market capitalisation/revenue/cash flow test in rule 8.05(2), or the market capitalisation/revenue test in rule 8.05(3), it must disclose by way of a circular all information required under rule 18.04 in a listing document with such modifications as the Exchange may determine.

9B.04 The following requirements do not apply to a transfer of listing from GEM to the Main Board of an Eligible Issuer under this Chapter:—

- (1) all requirements relating to the appointment and obligations of a sponsor and a sponsor-overall coordinator (where applicable) under rules 2.09 and 2.10, Chapter 3A, Practice Note 21 and Appendix E1;

Note 1: For the purpose of this rule, requirements relating to sponsor obligations under rule 18.27 do not apply to a transfer of listing as a Mineral Company under this Chapter.

Note 2: The requirements under this rule include ancillary provisions such as the listing applicant's obligation to assist the sponsor under rule 3A.05.

- (2) rule 8.06 relating to the latest financial period reported on by the reporting accountants and rule 8.21A relating to working capital sufficiency statement in a listing document;
- (3) all requirements relating to application procedures, listing documents and prospectuses under Chapters 9, 11, 11A and 18; and
- (4) all requirements relating to the publication and/or issue of listing documents, prospectuses, Application Proofs and Post Hearing Information Packs under Chapter 12 and Practice Note 22.

#### **Application for transfer**

9B.05 An applicant for transfer of listing under this Chapter shall submit to the Exchange the following documents:

- (1) a formal application for listing signed by a duly authorised director of the issuer, and a declaration signed by every director and supervisor (if any) of the issuer confirming and declaring compliance with all the requirements for a transfer of listing, in the form set out in [•] (published in Regulatory Forms);
- (2) an advanced draft public announcement, as required under rule 9B.08, to be published by the issuer in relation to the transfer of listing;
- (3) 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 9B.08:
  - (a) the working capital available for the group is sufficient for its present requirements, which is for at least the next 12 months from the date of publication of the announcement under rule 9B.08; and

Note: In the case of a Mineral Company to which Chapter 18 applies, it has available working capital to meet 125% of the group's working capital needs for at least the next 12 months from the date of publication of the announcement referred to in rule 9B.08, as required under 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 9B.05(3) typically includes cashflow forecast memoranda, profit forecasts and written statements from persons or institutions providing finance.

9B.06 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.

9B.07 An applicant must have obtained all necessary shareholders', board and/or regulatory approvals required for the transfer of listing (whether under its constitutive documents or applicable laws or regulations or otherwise).

### **Announcement of transfer**

9B.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 under this Chapter and at least five clear business days before the intended date on which dealings in the issuer's shares on the Main Board are expected to commence.

9B.09 The announcement referred to in rule 9B.08 must contain 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 D1A;

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

Note: The statement referred to in this rule must also include (a) the volume weighted average market capitalisation over the Reference Period, and (b) the number and percentage of trading days over the Reference Period on which the issuer had a daily turnover of its securities of at least HK\$[●], to demonstrate that the pre-conditions in respect of the volume weighted average market capitalisation and daily turnover of its securities under rules

9B.03(2) and (5), respectively, are expected to be fulfilled. For this purpose, "Reference Period" shall have the same meaning as in notes 1(b) and (c) to rule 9B.03, except that such period shall end on the trading day immediately preceding the date of the announcement referred to in rule 9B.08.

- (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' reports and annual accounts for the most recent three financial years;
  - (b) the issuer's latest interim report or summary interim report (if any);
  - (c) the issuer's constitutional documents;
  - (d) any prospectuses and circulars to shareholders issued by the issuer in the most recent three financial years (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 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) the name of each director of the issuer as required under rule 2.14; and

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

## Chapter 10

### EQUITY SECURITIES

#### RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

...

##### **Restrictions on disposal of shares by controlling shareholders following a new listing**

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 or 9B, 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 or the announcement required under rule 9B.08, as the case may be.

##### **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 or 9B, 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 or the announcement required under rule 9B.08, as the case may be.

...

**Chapter 11**  
**EQUITY SECURITIES**  
**LISTING DOCUMENTS**

...

**When Required**

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

...

(4) introductions which include transfers of listing from GEM to the Main Board under Chapter 9A;

...

...

## Chapter 14

### EQUITY SECURITIES

#### NOTIFIABLE TRANSACTIONS

...

#### Provisions to deter circumvention of new listing requirements

...

##### *Extreme transactions*

14.06C ...

- (2) the acquisition targets meet the requirements of rule 8.04 and rule 8.05 (or rule 8.05A or 8.05B) and the enlarged group meets all the new listing requirements set out in Chapter 8 of the Listing Rules (except rule 8.05).

*Note: Where the extreme transaction involves a series of transactions and/or arrangements and the acquisition targets cannot meet rules 8.05(1)(b) and/or (c), 8.05(2)(b) and/or (c), or 8.05(3)(b) and/or (c) due to a change in their ownership and management solely as a result of the acquisition by the issuer, the Exchange may grant a waiver from strict compliance with these rules based on the facts and circumstances of the case. In considering a waiver of rule 8.05(1)(b), 8.05(2)(b) or 8.05(3)(b), the Exchange will consider, among others, whether the issuer has the expertise and experience in the relevant business/industry of the acquisition targets to ensure the effective management and operation of the acquisition targets.*

...

#### Additional requirements for reverse takeovers

14.54 ...

*Notes:*

...

3. *Where the reverse takeover involves a series of transactions and/or arrangements and the acquisition targets cannot meet rules 8.05(1)(b) and/or (c), 8.05(2)(b) and/or (c), or 8.05(3)(b) and/or (c) due to a change in their ownership and management solely as a result of the acquisition by the issuer, the Exchange may grant a waiver from strict compliance with these rules based on the facts and circumstances of the case. In considering a*

*waiver of rule 8.05(1)(b), 8.05(2)(b) or 8.05(3)(b), the Exchange will consider, among others, whether the issuer has the expertise and experience in the relevant business/industry of the acquisition targets to ensure the effective management and operation of the acquisition targets.*

...

### **Material changes**

- 14.89 With the exception of a listed issuer that has successfully transferred its listing from GEM to the Main Board pursuant to Chapter 9A or 9B, in the period of 12 months from the date on which dealings in the securities of a listed issuer commence on the Exchange, the listed issuer shall not effect any acquisition, disposal or other transaction or arrangement, or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in the principal business activities of the listed issuer as described in the listing document issued at the time of its application for listing.

...

...

# 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

**PRACTICE WITH REGARD TO PROPOSALS SUBMITTED BY  
ISSUERS  
TO EFFECT THE SEPARATE LISTING ON THE EXCHANGE OR  
ELSEWHERE OF ASSETS OF BUSINESSES WHOLLY OR PARTLY  
WITHIN THEIR EXISTING GROUPS**

...

### 3. Principles

...

(b) ...

*Note: For a listed issuer that has transferred from GEM to the Main Board under ~~Chapter~~ chapter 9A or 9B, its original listing date on GEM shall be regarded for the purpose of (b) as the date of listing of the Parent.*

...

...

# Regulatory Forms

## Form [●]

### Formal Application for Transfer of Listing of Equity Securities from GEM to the Main Board (for Eligible Issuers under Chapter 9B)

This form must be duly completed and lodged in compliance with the provisions of Chapter 9B.

To: The Head of the Listing Division  
The Listing Division  
The Stock Exchange of Hong Kong  
Limited .....

Dear Sir,

1. We, \_\_\_\_\_ [Limited] (the "Issuer") hereby  
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 (the "Exchange") entitled "Rules Governing the Listing of Securities" (the  
"Listing Rules"). (Note 1)

2. SHARE CAPITAL

<u>Authorised \$</u>			<u>Issued (and paid up)</u> <u>inclusive of present issue</u>
_____	<u>in</u> _____	<u>Stock/Shares of</u>	_____
_____	<u>in</u> _____	<u>Stock/Shares of</u>	_____
_____	<u>in</u> _____	<u>Stock/Shares of</u>	_____
_____	<u>in</u> _____	<u>Stock/Shares of</u>	_____
<u>\$</u>			<u>\$</u>

3. Amounts and descriptions of securities for which application is now made [including, if applicable, amounts and descriptions of any options, warrants or convertible instruments relating to such securities for which transfer application is made simultaneously] (include distinctive numbers if any)

.....  
.....  
.....

4. The securities for which application is now made are proposed to be listed by way of transfer of listing from 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).

.....

6. We declare, to the best of our knowledge, information and belief, that:—

- (1) all the qualifications for a transfer of listing from GEM to the Main Board of the Exchange set out in the relevant chapters of the Listing Rules have, insofar as applicable, been 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 (“SML 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 SML Rules, insofar as applicable and required to be fulfilled at the time of the 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 Exchange.

7. ISSUER'S SOLE UNDERTAKING

We 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 our application with the Securities and Futures Commission ("SFC") under section 5(1) of the SML Rules.

Under section 5(2) of the SML 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 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 SML Rules. Under section 7(3) of the SML 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 as the Exchange may from time to time prescribe.

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

.....

Name:  
Director, for and on behalf of  
[Issuer's Name]

DECLARATION OF DIRECTORS AND SUPERVISORS

The undersigned jointly and individually declare to the best of our knowledge, information and belief that all qualifications for a transfer of listing to the Main Board of the Exchange set out in the relevant chapters of the Listing Rules have, insofar as applicable, been fulfilled in relation to the Issuer and the securities of the Issuer.

Signed by : .....  
[Name of Director/Supervisor], [Date]

(Note 3)

## NOTES

Note 1 Insert name of issuer of securities. If it is an overseas issuer, the place of incorporation or other establishment and the applicable law under which it is incorporated or otherwise established must be stated.

Note 2 These paragraphs apply only to companies and:-

“chief executive” means a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of the issuer.

“substantial shareholder” means a person entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the issuer.

Note 3 This form must be signed by all directors and supervisors of the issuer.

---

## APPENDIX V: PRIVACY NOTICE

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Hong Kong Exchanges and Clearing Limited and its affiliated companies (together “**HKEX**”, “**we**”, “**our**” or “**us**”) are committed to protecting all Personal Data under our custody, control, or possession. “**Personal Data**” is any information that relates to an identifiable individual or can be used to identify an individual – sometimes the individual is referred to as a “**Data Subject**”.

This privacy notice (“**Notice**”) applies to the Personal Data we collect and further process from Data Subjects who respond to our public consultation papers.

If the correct Personal Data is not submitted to HKEX then we may not be able to ensure the correct details are published or contact respondents if we have queries about their comments and/or, we may be unable to process requests relating to their rights as Data Subjects under the applicable data protection laws.

### **What Personal Data do we collect and how do we collect it?**

#### **Information directly submitted by or collected from you:**

- Identity data such as name and position in a company.
- Contact data such as phone number and email address
- Communications data such as subsequent correspondence with you to clarify your comments or to confirm your identity data.

For Data Subjects in Mainland China:

- to verify your identity, we may process your name, position, phone number, and email address;
- to communicate with you, we may process your name, position, phone number, and email address;
- to register your response in our records or change your response upon your request, we may process your name, position, answers and reasons for those answers ;
- to prepare our publication material, we may process and publish your name and position (where your consent has been provided), and your answers and reasons for those answers .

For Data Subjects who are California residents:

To the extent the California Consumer Privacy Act and the California Privacy Rights Act applies, the types of Personal Data we collect (and have collected in the past 12 months) includes the categories listed below, as defined by California state law:

Category	Source	Purpose of Processing
Personal identifiers such as your name and email address.	Collected directly from you	For verification, record keeping and/or publication.
Information About You including your name, position, and telephone number.		

### Why do we use the Personal Data and how do we use it?

The “**Legal Basis**” is what data protection laws set out as the lawful reasons for processing Personal Data, such as a legitimate interest to operate our business so long as it does not materially and adversely impact your interests, rights, and freedoms.

Legal Basis	Purpose
Legitimate Interests	<ul style="list-style-type: none"> <li>Identity and contact data to verify and clarify responses</li> <li>Identity data where consent has been provided for external publication</li> </ul>
Consent	<p><b>Separate consent</b></p> <ul style="list-style-type: none"> <li>Required if you are a Data Subject in Mainland China and we need to share your Personal Data with a third party, publicly disclose it, or transfer it outside Mainland China</li> </ul>
Legal Regulatory Obligations or	<ul style="list-style-type: none"> <li>Discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller</li> <li>Comply with a court order, subpoena or other legal process</li> <li>Comply with a request by a government authority, law enforcement agency or similar body</li> <li>Comply with laws applicable to us including domestic data protection laws</li> </ul>

## **Do we disclose Personal Data to third parties or transfer it to another jurisdiction?**

HKEX discloses Personal Data to one or more third party organisations that enable us to process public consultation papers and these include:

- Affiliates of Hong Kong Exchanges and Clearing
- Our contractors or vendors who provide telecommunications, IT security, or other technical assistance
- Our vendors who facilitate the availability of online forms
- Our vendors who provide strategy or other consultancy services in respect of our businesses
- Our agents, contractors or vendors who provide administrative support to us

To fulfil our legal obligations, we may also share your Personal Data with courts, regulatory authorities, government and law enforcement agencies, and other public authorities.

Further details about these third parties may be provided upon request to the address in the “Contact Us” section below. We shall endeavour to provide such information to the extent we are required to do so under applicable data protection laws.

Where required under applicable data protection laws, HKEX will only disclose Personal Data to third parties with your prior consent. In certain jurisdictions, HKEX may also be required to take additional measures prior to giving effect to such transfers (e.g. carrying out privacy impact assessments prior to the transfer).

HKEX may process Personal Data outside of the Data Subject’s home jurisdiction, including sharing the Personal Data with third parties. HKEX shall use reasonable endeavours to ensure that the laws and regulations of the destination jurisdiction shall offer the same or comparable level of protection for Personal Data. Where this is not the case, we shall ensure appropriate safeguards are in place at the time of the transfer by implementing standard contractual clauses or other data transfer mechanism approved by the authorities of the relevant jurisdiction. Where required under applicable data protection laws, we shall also carry out additional measures for the offshore transfer such as carrying out a privacy impact assessment.

The regions where the Personal Data may be hosted or transferred to will vary from time to time, but typically include Hong Kong, the UK, US, EU, Switzerland, Singapore, Japan, India, and Mainland China.

Further details on the processing locations and our measures for safeguarding international transfers (including adequacy decisions) may be obtained upon request to the address in the “Contact Us” section below.

## **How long do we keep the Personal Data?**

Personal Data is retained in accordance with our internal policies, including our Group Record Retention Policy, and applicable law.

Your Personal Data will be retained by us for as long as is necessary to fulfil the purposes required for the processing. HKEX will also refer to the following factors when determining or confirming the appropriate retention period of Personal Data:

- the original purpose of collection
- the termination of any contract involving the Data Subject's Personal Data
- the limitation period as defined in the applicable law
- the existence of any legal or regulatory investigations or legal proceedings
- specific laws or regulations setting out HKEX's functions, obligations, and responsibilities
- retention period set out in non-statutory guidelines issued by our regulators or international bodies
- the sensitivity of the Personal Data and the degree of risk from the associated processing activity

For Data Subjects in Mainland China, we usually retain the Personal Data for not more than 3 years from the last activity or interaction with us. Further details of our Personal Data retention period may be obtained upon request to the address in the "Contact Us" section below.

Where any Personal Data is no longer necessary for the purposes for which it is collected, we shall cease the processing of that Personal Data as soon as reasonably practicable (although copies may be retained as necessary for archival purposes, for use in any actual or potential dispute, or for compliance with applicable laws), and take reasonable measures to destroy the relevant Personal Data.

## **How do we keep your Personal Data secure?**

We will take all practicable and reasonable steps to promote the security of the Personal Data we process in a manner consistent with applicable data protection laws and established international security standards. This includes physical, technical and administrative safeguards, to help prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks, and the loss of any storage medium or device on which the Personal Data is stored, and to maintain the general security of the data.

**Rights over the Personal Data**

As a summary, the following Data Subject rights may be exercised to the extent provided under applicable data protection laws:

- confirm whether we hold the Data Subject’s Personal Data and the type of Personal Data held by us
- access a copy of the Personal Data held by us
- delete your Personal Data held by us
- correct or supplement your Personal Data where it is found to be inaccurate
- restrict the processing performed on your Personal Data
- withdraw consent to the processing of your Personal Data in certain situations (e.g. processing carried out on the basis of our legitimate interests)
- transfer the Personal Data to another party in a machine readable format

In certain jurisdictions, Data Subjects may also be provided with additional rights.

<b>California</b>	<ul style="list-style-type: none"> <li>• <b>Request that we disclose the categories of third parties with whom we have shared the information and the categories of Personal Data that we have shared with third parties for a business purpose</b></li> </ul>
<b>Mainland China</b>	<ul style="list-style-type: none"> <li>• Explanation on the rules of processing the Personal Data</li> <li>• Extension of the Data Subject rights to a surviving next-of-kin where the applicable laws permit</li> <li>• Transfer of your Personal Data to your designated party, where the applicable laws permit</li> </ul>
<b>United Kingdom and Europe</b>	<ul style="list-style-type: none"> <li>• Right to object to processing. You have the right to object to processing to the extent we process your Personal Data because the processing is in our legitimate interests.</li> </ul>
<b>Singapore</b>	<ul style="list-style-type: none"> <li>• In certain circumstances, receive information about the ways in which the Personal Data has been or may have been used or disclosed by us in the year before the date of the request.</li> </ul>

Where these rights apply, we shall use reasonable endeavours to fulfil the request or provide an explanation. Please note that under applicable data protection law, we are only obligated to respond to Personal Data requests from the same consumer up to two times in a 12-month period, and we may be limited in what Personal Data we can disclose which is also for the protection of your Personal Data.

We will endeavour to respond to you as soon as possible and, in any event, within the timeframe stipulated under the applicable data protection law. In the event of a potential delay, we will provide an explanation and the expected timeframe for delivery. Under applicable data protection law, we may also be required to charge a reasonable fee for the cost of processing the request.

Please note that we may need to seek confirmation of identity or clarification in order to fulfil the request. If you as the Data Subject would like to appoint an authorised agent to make a request on your behalf, we may require you to verify your identity with us directly before we provide any requested information to your authorised agent unless your authorised agent has power of attorney or acts as a conservator. Information collected for purposes of verifying your request will only be used for verification. For deletion requests, you will be required to submit a verifiable request for deletion and then confirm separately that you want Personal Data about you deleted.

If you would like to exercise your data subject rights, please contact the HKEX Group Data Protection Office via one of the channels below.

### **Contact Us**

If you have any questions or comments relating to the content of this Notice, report any concerns about our Personal Data processing, or if you would like to exercise your Data Subject Rights, please contact us through the channels below:

By Post:

#### **Group Data Protection Officer**

GDPO Office  
Hong Kong Exchanges and Clearing Limited  
8/F., Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**UK Representative:** 10 Finsbury Square, London, EC2A 1AJ, United Kingdom

**EU Representative:** De Cuserstraat 91, 1081 CN Amsterdam, Postbus/PO Box 7902, 1008 AC Amsterdam, Netherlands

By email: [DataPrivacy@hkex.com.hk](mailto:DataPrivacy@hkex.com.hk)

Please include the following details in any request to exercise your Data Subject Rights:

#### *Identity of Data Subject*

- *Full Name*
- *Company Name*
- *Email Address*
- *Address of principal residence*
- *Identity particulars if acting on behalf of a Data Subject*
- *Contact details held on file or Document(s) to verify identity*

### *Nature of the Request*

- *Product or Service to which the Data Subject has subscribed*
- *Specific Right*
- *Purpose of the Request*
- *Preferred communication channel and address for receiving the results of the request*
- *Document(s) to support the rights request*

Any Data Subject who has contacted us to express concerns about the way we manage their Personal Data and is of the view that we have not addressed the matter satisfactorily, may also contact the relevant privacy regulator to resolve the matter or seek assistance.

The privacy regulator in the United Kingdom is the Information Commissioner, who may be contacted at <https://ico.org.uk/make-a-complaint/> or by post to: Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF, United Kingdom.

If you live outside of the UK, you may contact the relevant data privacy regulator in your country of residence.

## Annex

This Notice relates to privacy practice of the following HKEX group entities. For the contact details of the following entities, please refer to the “Contact Us” section.

- The Hong Kong Exchanges and Clearing Limited
- The Stock Exchange of Hong Kong Limited
- Hong Kong Futures Exchange Limited
- Hong Kong Securities Clearing Company Limited
- HKFE Clearing Corporation Limited
- The SEHK Options Clearing House Limited
- OTC Clearing Hong Kong Limited
- HKEX Information Services Limited
- HKEX Information Services (China) Limited
- HKEX (China) Limited
- HKEX Investment (China) Limited
- HKEX Investment (Hong Kong) Limited
- Hong Kong Futures Exchange Limited Singapore Branch
- The Stock Exchange of Hong Kong Limited Singapore Branch
- HKEX (U.S.) LLC

## Hong Kong Exchanges and Clearing Limited

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8/F, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

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