

Chapter 7

GENERAL

ACCOUNTANTS' REPORTS

7.12 The financial history of results and statement of assets and liabilities included in the accountants' report of a listing applicant, which is listed, or is to be simultaneously listed, on the New York Stock Exchange or the Nasdaq National Market of the United States of America may, be drawn up in conformity with Generally Accepted Accounting Principles in the United States of America (US GAAP) provided that:-

- (1) the overseas listing applicant has adopted US GAAP for the purposes of reporting to shareholders on the New York Stock Exchange or the Nasdaq National Market of the United States of America; and
- (2) the overseas listing applicant's principal activity does not consist of property development and/or investment.

~~7.12~~13 ~~In the case of an overseas issuer, Except as provided in rule 7.12, a listing applicant must obtain the prior approval of the Exchange must be sought if it is proposed~~ proposes that the accountants report should be drawn up otherwise than in conformity with either of the standards referred to in rule 7.11. Such approval will only be given in exceptional circumstances. If such approval is given, the Exchange will normally require the report to contain a statement of the financial effect of the material differences (if any) and a summary of any material differences in disclosure (if any) from either of the standards referred to in rule 7.11.

~~7.13~~14 Whilst the report for a PRC issuer must normally be drawn up in accordance with either of the standards referred to in rule 7.11, such report may, in addition, include (in a separate part) financial information conforming with PRC accounting rules and regulations, provided that the report contains a statement of the financial effect of the material differences (if any) and a summary of any material differences in disclosure (if any) from either of the standards referred to in rule 7.11.

~~7.14~~15 Without prejudice to the provisions of rules ~~7.12~~13 and ~~7.13~~14, any significant departure from either of the accounting standards referred to in rule 7.11 must be disclosed and explained and, to the extent practicable, the financial effects of such departure quantified.

~~7.15~~16 The relevant standards will normally be those current in relation to the last financial year reported on and, wherever possible, appropriate adjustments should be made to show profits for all periods in accordance with such standards. Where there has been a change in standards during the current financial year of the issuer, the report must contain a statement of the financial effect of any material differences arising out of such change (if any) and a summary of any material differences in disclosure arising out of such change (if any).

Statement of adjustments

7.16~~17~~ In preparing the accountants' report, the reporting accountants should make such adjustments (if any) as are in their opinion appropriate for the purposes of the accountants' report and state therein that all adjustments considered necessary have been made, or (where appropriate) that no adjustments were considered necessary. Where adjustments are made, a written statement (the statement of adjustments) is required to be made available for public inspection, and should be signed by the reporting accountants (see paragraph 52 of Part A and paragraph 42 of Part B of Appendix 1).

Note: Where a listing applicant is seeking a simultaneously listing and is precluded by the regulation in that jurisdiction from making adjustments as envisaged by rule 7.17, additional information should be provided to show details of the adjustments (if any) and the effect of such on the results and net assets and liabilities as if such adjustments would have been made for purpose of the accountants' report prepared on the basis in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants."

7.17~~18~~ The statement of adjustments must set out, for each of the years reported upon, each adjustment made and be sufficiently detailed so as to reconcile the figures in the accountants' report with the corresponding figures in the audited accounts and must give the reasons therefor.

7.18~~19~~ Where the accountants' report is set out in a listing document the statement of adjustments relating to that report must be submitted to the Exchange in anticipated final draft form in accordance with rules 12.22(3) and 28.13(7) and in certified form in accordance with rules 12.24(6) and 28.14(3). In every other case, the statement of adjustments must be submitted to the Exchange at the same time as the proofs of the circular containing the accountants' report are submitted.

Reference to other reports

7.19~~20~~ Where the reporting accountants refer to reports, confirmations or opinions of valuers, accountants or other experts, the names, addresses and professional qualifications of such other persons or firms should be stated in the report. In any case, the listing document or circular will be required to include a statement that such other persons or firms have given and have not withdrawn their written consent to its issue with the inclusion of such references in the form and context in which they are included.

Qualified or modified reports

7.20~~21~~ Where the reporting accountants qualify or modify their accountants' report, they should refer to all material matters about which they have reservations. All reasons for the qualification or modification should be given and its effect quantified if this is both relevant and practical. A qualified or modified accountants' report in respect of a new applicant may not be acceptable where the qualification or modification relates to a matter of significance to investors.

7.21~~22~~ Where the accountants' report relates to an acquisition which is a major transaction, very substantial acquisition or a reverse takeover and the report is expected to be qualified, the Exchange should be consulted at an early stage.

Additional matters for disclosure

7.22~~23~~ Where the business of the issuer necessitates extra disclosure to the members in its annual accounts by virtue of special legislation, the equivalent disclosure must be made in the report.

General

7.23~~24~~ Where the issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require any financial information to be included in the accountants' report which need not be disclosed in a balance sheet or profit and loss account of the issuer which is drawn up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of any of those provisions. In the case of such issuers the opinion of the reporting accountants which is required by 7.07(2) may be expressed on an appropriate basis.

Note: Insurance and shipping companies will not be entitled to avail themselves of the benefits of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

7.24~~25~~ It is emphasised that these requirements are not exhaustive and that further information may be required, or the required information varied, by the Exchange where it considers it necessary. In cases of doubt or difficulty, the reporting accountants should consult the Exchange through the issuer's Sponsor or, in circumstances where the issuer is no longer required to have (and does not otherwise retain) a Sponsor, through the issuer's authorised representative or financial adviser.

Chapter 11

EQUITY SECURITIES

QUALIFICATIONS FOR LISTING

Conditions relevant to the securities for which listing is sought

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

- (1) for any class of equity securities, at least the "minimum prescribed percentage" of such class of securities in issue from time to time must, at the time of listing and at all times thereafter, be in the hands of the public; and

Note: For the purposes of the GEM Listing Rules, the "minimum prescribed percentage" for any class of equity securities of an issuer shall be established by reference to the issued securities of that class ~~share capital~~ held by the public immediately prior to the date on which securities of the issuer first commence trading on GEM, in accordance with the following table ~~provisions~~:-

- ~~1 No new applicant may offer less than 20 per cent of its (enlarged) issued share capital to the public in the initial public offering (including any placing (if any));~~
- ~~2 If the new applicant wishes to offer 25 per cent or more of its (enlarged) issued share capital to the public in the initial public offering, the minimum public float to be maintained by it at all times after listing must be 25 per cent of the share capital in issue from time to time; and~~
- ~~3 If the new applicant wishes to offer less than 25 per cent of its (enlarged) issued share capital to the public, the minimum amount offered must be 20 per cent, provided that if such amount would be insufficient to satisfy public demand for the new applicant's shares (on account of the offer being over subscribed, whether through public subscription and/or placing, the issuer must increase the number of shares offered to satisfy public demand up to a maximum amount of 25 per cent of its (enlarged) issued share capital, following which, the minimum public float to be maintained by it at all times after listing must be equal to the relevant percentage of shares held by the public immediately prior to the date on which the issuer's shares first commence trading on GEM (up to a maximum of 25 per cent).~~

Market capitalisation
(determined as at the time of listing)

Not exceeding HK\$1,000m

Over HK\$1,000m but not exceeding
HK\$1,333m

Over HK\$1,333m

Minimum prescribed percentage of
securities to be in public hands

20 per cent

The percentage that would result in the
market value of the securities to be in
public hands equal to HK\$200m
(determined as at the time of listing)

15 per cent

- (2) with regard to all equity securities for which a listing is sought, except those specified in sub-paragraphs (3) and (4):-
 - (a) the market capitalisation of such equity securities (determined as at the time of listing) in the hands of the public must be at least HK\$30,000,000; and
 - (b) there must, as at the time of listing, be an adequate spread of holders of such securities. The number will depend on the size and nature of the issue but, as a guideline, the equity securities in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose equity securities are held through CCASS); and
- (3) with regard to options, warrants or similar rights to subscribe or purchase shares ("warrants") for which a listing is sought:-
 - (a) in the case of a new applicant:-
 - (i) the market capitalisation of such warrants (determined as at the time of listing) must be at least HK\$6,000,000; and
 - (ii) there must, as at the time of listing, be an adequate spread of holders of such warrants. The number will depend on the size and nature of the issue but, as a guideline, the warrants in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose warrants are held through CCASS); and
 - (b) in the case of a listed issuer:-
 - (i) the market capitalisation of such warrants (determined as at the time of listing) must be at least HK\$6,000,000; and
 - (ii) save where such warrants are offered to existing holders of the issuer's securities by way of bonus issue, there must, as at the time of listing be an adequate spread of holders of such warrants. The number will depend on the size and nature of the issue but, as a guideline, the warrants in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose warrants are held through CCASS); and
- (4) in the case of a listed issuer seeking the listing of further securities of a class already listed, neither of the restrictions set out in sub-paragraph (2) and (3) shall apply; and
- (5) exceptionally, the Exchange may accept a lower percentage than that specified in sub-paragraph (1) above where it is satisfied that the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage.

- Notes: 1 Issuers should note that the minimum prescribed percentage of securities must remain in public hands at all times. If the percentage falls below the minimum, the Exchange has the right to cancel the listing or suspend trading until appropriate steps have been taken to restore the minimum percentage of securities in public hands (see also rule 17.36). If the Exchange is satisfied that, even though the percentage has fallen below the minimum, there remains an open market in the securities, the Exchange may refrain from suspension against receipt of an undertaking from the controlling shareholder(s) to take appropriate steps to ensure restoration of the minimum percentage of securities to public hands within a specified period. At any time when the percentage of securities in public hands is less than the required minimum, and the Exchange has permitted trading in the securities to continue, the Exchange will monitor closely all trading in the securities to ensure that a false market does not develop and will suspend the securities promptly if there is any unusual price movement.*
- 2 The Exchange will not regard any connected person of the issuer or, at the time of listing and for the duration of the 6-month period referred to in rule 13.18 (the "moratorium period"), any significant shareholder, as a member of "the public" or shares held by any such person (in the case of a significant shareholder, being shares held by it during the moratorium period) as being "in public hands". In addition the Exchange will not recognise as a member of "the public":—*
- (a) any person whose acquisition of securities has been financed directly or indirectly by a connected person; or*
 - (b) any person who is accustomed to taking instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him.*

Chapter 16

EQUITY SECURITIES

PUBLICATION REQUIREMENTS

Results of offers, rights issues and placings

16.13 In the case of an offer for subscription, offer for sale or open offer, an announcement of the results of the offer, the basis of allotment of the securities (including the extent to which securities have been allotted to the underwriters (if any) and their associates) and, where relevant, the basis of any acceptance of excess applications must be published on the GEM website as soon as possible, but in any event not later than 9.30 a.m. on the business day following the date on which the allotment letters or other relevant documents of title are posted.

Notes: 1 The announcement should include information regarding the spread of applications and basis of allocation.

2 For the purposes of rules 16.13 and 16.15, "associate" shall have the same meaning as set out in the definition of associate in rule 1.01, save that it shall be construed as applying to underwriters.

3 In case of a new class of securities to be listed, the announcement should include the minimum prescribed percentage applicable to that class of securities pursuant to rule 11.23 if such information has not been previously disclosed.

16.16 In the case of a placing (including an initial public offering with a placing tranche), an announcement of the results of the placing containing the details specified in rule 10.12(4) must be published on the GEM website prior to commencement of dealings in the securities so placed.

Notes: 1 In the case of a placing of securities by a listed issuer effected pursuant to any general mandate granted to the directors of the issuer in accordance with rule 17.41(2), the further information required to be announced is set out in rule 17.30.

2 In case of a new class of securities to be listed, the announcement should include the minimum prescribed percentage applicable to that class of securities pursuant to rule 11.23 if such information has not been previously disclosed.

Chapter 18

EQUITY SECURITIES

FINANCIAL INFORMATION

Accounting standards

18.04 Annual accounts of a listed issuer are required, subject to rule 18.05 and rule 18.06, to conform with either accounting standards approved by the Hong Kong Society of Accountants and laid down in the Statements of Standard Accounting Practice issued from time to time by that Society or the International Accounting Standards as promulgated from time to time by the International Accounting Standards Committee.

Note: The issuer must apply one of these standards consistently and shall not change from one standard to the other unless there are reasonable grounds to justify such change. All reasons for any such change must be disclosed in the annual accounts.

18.05 A listed issuer, which is also listed on the New York Stock Exchange or the Nasdaq National Market of the United States of America, may prepare annual accounts drawn up in conformity with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), subject to the following:-

(1) the listed issuer has adopted US GAAP for the purposes of reporting to shareholders on the New York Stock Exchange or the Nasdaq National Market of the United States of America;

(2) a listed issuer already listed on the Exchange which subsequently obtains a listing on the New York Stock Exchange or the Nasdaq National Market of the United States of America and thereafter adopts US GAAP in place of either of the standards referred to in rule 18.04 in the preparation of its annual accounts will be required to compile a statement of the financial effect of material differences from either of the standards referred to in rule 18.04 in the first annual accounts in which US GAAP is adopted;

(3) a listed issuer which was permitted to adopt US GAAP on the basis that it is listed on the New York Stock Exchange or the Nasdaq National Market of the United States of America but is no longer so listed, will be required to revert to either of the standards referred to in rule 18.04 for financial reporting purposes; and

(4) a listed issuer whose principal activity is property development and/or investment may not adopt US GAAP for financial reporting purposes.

~~18.05~~18.06Where the Exchange, in exceptional circumstances, allows the annual accounts of any overseas issuer to be drawn up otherwise than in conformity with either accounting standards referred to in rule 18.04 or with US GAAP in the circumstances set out in rule 18.05 ~~approved by the Hong Kong Society of Accountants or the International Accounting Standards Committee~~, the Exchange will normally require the annual accounts to contain a statement of the financial effect of the material differences (if any) and a summary of any material differences in disclosure (if any) from either of ~~those~~ the standards referred to in rule 18.04.

Information to accompany directors' report and annual accounts

~~18.06~~18.07The listed issuer shall include the information set out in rules ~~18.07~~18.08 to ~~18.36~~18.37 in its directors' report and annual accounts. Banking companies (meaning banks, restricted licence banks and deposit-taking companies as defined in the Banking Ordinance) shall, in addition, comply with the Best Practice Guide on Financial Disclosure by Authorised Institutions as issued by the Hong Kong Monetary Authority.

Note: The annual report and accounts 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.

~~18.07~~18.08A description of the principal activities of the group and, where 2 or more such activities are so described, a statement giving in respect of each such activity the turnover and contribution to trading results attributable to it.

Note: For these purposes, a "principal activity" is one which achieved profits and losses numerically equivalent to 10 per cent or more of the consolidated profit or loss of the group.

18.09~~09~~ Except where the listed issuer is a banking company, a geographical analysis of consolidated turnover and, if the contribution to profit or loss from a specific area is abnormal in nature, the contribution to trading results of those trading operations carried on by the listed issuer and/or its subsidiaries outside the country in which the main place of business of the listed issuer (or the group of which the listed issuer is a member) is situated, unless such operations comprise less than 10 per cent of the consolidated turnover and 10 per cent of the consolidated trading results of the group.

Notes: 1 Transactions within the group should be excluded.

2 A broad geographical analysis of net turnover by way of figures or percentages, given by market (not necessarily given country by country), will be acceptable. Where analysis is required, the analysis should be by continent but if 50 per cent of total overseas operations relates to 1 continent, a further analysis, for example, by country within that continent, will be required. Overseas operations include direct exports from the country in which the main place of business of the listed issuer (or the group of which the listed issuer is a member) is situated and activities carried out otherwise than in such country.

3 In respect of trading results an appropriate statement should be included where, for a proper appraisal of the business of the listed issuer (or the group of which the listed issuer is a member), holders of listed securities should be aware of significant contributions derived from activities carried out in any one territory. No analysis of the contribution to trading results is required unless the contribution to profit or loss from a specific area is "abnormal" in nature. "Abnormal" is defined as substantially out of line with the normal ratio of profit to turnover. For example, if a 40 per cent profit is earned by the group in relation to turnover in one continent compared with 10 per cent on turnover elsewhere, this fact should be made apparent.

18.09~~10~~ A statement showing:-

- (1) the name of every subsidiary, its principal country of operation, its country of incorporation or other establishment and the kind of legal entity it is registered as (for the purposes of the relevant jurisdiction);
- (2) particulars of the issued share capital and debt securities of every subsidiary; and
- (3) the nature of the business of every subsidiary,

provided that if, in the opinion of the directors of the listed issuer, the number of them is such that compliance with this rule would result in particulars of excessive length being given, compliance with this rule shall not be required except in the case of subsidiaries carrying on a business the results of the carrying on of which, in the opinion of the directors, materially affected the amount of the profit or loss of the group or the amount of the assets of the group.

18.10~~11~~ Details of the classes and numbers of any convertible securities, options, warrants or similar rights issued or granted by the listed issuer or any of its subsidiaries during the financial year, together with the consideration received by the listed issuer or any of its subsidiaries therefor.

18.11~~12~~ Particulars of any exercise made during the financial year of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the listed issuer or any of its subsidiaries.

18.12~~13~~ Particulars of any redemption or purchase or cancellation by the listed issuer or any of its subsidiaries of its redeemable securities and the amount of such securities outstanding after any such redemption or purchase or cancellation has been made.

18.13~~14~~ Particulars of any purchase, sale or redemption by the listed issuer, or any of its subsidiaries, of its listed securities during the financial year (analysed on a monthly basis), or an appropriate negative statement. Such statement must include the aggregate price paid or received by the listed issuer for such purchases, sales or redemptions and should distinguish between those securities purchased or sold:-

- (1) on the Exchange;
- (2) on another stock exchange;
- (3) by private arrangement; and
- (4) by way of a general offer; and

any such statement must also distinguish between those listed securities which are purchased by the listed issuer (separately distinguishing those shares which are cancelled and those which are held as treasury stock, if applicable) and those which are purchased by a subsidiary of the listed issuer. The directors' report shall contain references to the purchases made during the year and the directors' reasons for making such purchases (see rule 13.13(2)).

18.14~~15~~ Subject to rule 18.15~~16~~, a statement as at the end of the relevant financial year showing:

- (1) the interests of each director and chief executive of the listed issuer in the equity or debt securities of the listed issuer or any associated corporation (within the meaning of the SDI Ordinance) 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 the SDI 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; and
- (2) the details of any right to subscribe for equity or debt securities of the listed issuer granted to any director or chief executive of the listed issuer or to the spouse or children under 18 years of age of any such director or chief executive, and of the exercise of any such right,

as recorded in the register required to be kept under section 29 of the SDI Ordinance or as otherwise notified to the listed issuer and the Exchange pursuant to the minimum standards of dealing by directors of listed issuers as referred to in rule 5.40, or if there is no such interest or right that has been granted or exercised, a statement of that fact.

18.15~~16~~ The statement required by rule 18.14~~15~~:-

- (1) must set out the total number or amount of such securities in which each director and chief executive is interested, as recorded in the issuer's register of interests, and then separately distinguish such interests between four categories as follows:—
 - (a) Personal interests — namely those beneficial interests in securities which are registered in the name of the director or chief executive or a nominee who holds the securities on his behalf and to his order (e.g. a streetname), including interests in securities which he has contracted to purchase;
 - (b) Family interests — namely those interests in securities which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to securities in which his spouse or his child under the age of 18 years are interested;
 - (c) Corporate interests — namely those interests in securities which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to the interests of a corporation where he is either entitled to exercise (or is taken under the SDI Ordinance to be able to exercise) or control the exercise of one third or more of the voting power in general meetings of that corporation or where the corporation or its directors are accustomed to act in accordance with his directions or instructions; and
 - (d) Other interests — namely those interests in securities recorded in the register of interests which do not fall within one of the above categories. This would include, by way of example, those interests which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to options which entitle a director or chief executive to call for the delivery of securities or to acquire an interest in securities and any interests in securities which arise as a result of the director or chief executive being a beneficiary or trustee of a trust (and which are not included as personal interests under category (a) above); and

in the case of interests which fall within categories (c) and (d) above, a note setting out the nature of such interests should be provided to assist shareholders and investors to understand how the interests arise; and

- (2) with regard to the information required to be included by virtue of rule 18.415(1), must specify the company in which securities are held, the class to which those securities belong and the number of such securities held, but need not disclose the interests of a director in the equity securities 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 the non-beneficial interests of directors in the equity securities 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.

- 18.1617A statement as at the end of the relevant financial year, showing the interest of every person, other than a director or chief executive of the listed issuer, in the equity securities of the listed issuer as recorded in the register required to be kept under section 16(1) of the SDI Ordinance and the amount of such interest, or if there is no such interest recorded in the register, a statement of that fact.

Note: For the purposes of rules 18.1516 and 18.1617, particulars should be given of the extent of any duplication which occurs.

- 18.1718In the event of trading results shown by the accounts for the period under review differing materially from any published forecast made by the listed issuer, an explanation for the difference.

- 18.1819A statement in the accounting policies section of the accounts indicating which accounting body's generally accepted accounting principles and standards have been followed in the preparation of the accounts.

- 18.1920A statement as to the reasons for any significant departure from accounting standards approved by the Hong Kong Society of Accountants, if the relevant accounts are drawn up in accordance with accounting standards approved by the Hong Kong Society of Accountants, or the International Accounting Standards Committee, if the relevant accounts are drawn up in accordance with the International Accounting Standards promulgated from time to time by the International Accounting Standards Committee.

Note: In this regard, refer to rules 18.04 and to 18.0506.

- 18.2021Except where the listed issuer is a banking company, a statement as at the end of the financial year showing, firstly, bank loans and overdrafts and, secondly, other borrowings of the group, the aggregate amounts repayable:-

- (1) on demand or within a period not exceeding 1 year;
- (2) within a period of more than 1 year but not exceeding 2 years;
- (3) within a period of more than 2 years but not exceeding 5 years; and
- (4) within a period of more than 5 years.

- 18.2122In respect of the financial year, a statement of the amount of interest capitalised by the group during the year.

- 18.2223Where properties for development and/or sale or for investment purposes held by the group represent an amount in excess of 15 per cent of the value of the listed issuer's net tangible assets or consolidated net tangible assets, as the case may be, or earn an amount in excess of 15 per cent of the listed issuer's pre-tax operating profit or consolidated pre-tax operating profit, as the case may be, in respect of the financial year, the following information:

- (1) in the case of property held for development and/or sale:-

- (a) an address sufficient to identify the property, which generally must include the postal address, lot number and such further designation as is registered with the appropriate government authorities in the jurisdiction in which the property is located;
 - (b) if in the course of construction, the stage of completion as at the date of the annual report and accounts;
 - (c) if in the course of construction, the expected completion date;
 - (d) the existing use (e.g. shops, offices, factories, residential, etc.);
 - (e) the site and gross floor area of the property; and
 - (f) the percentage interest in the property; and
- (2) in the case of property held for investment:-
- (a) an address sufficient to identify the property, which generally must include the postal address, lot number and such further designation as is registered with the appropriate government authorities in the jurisdiction in which the property is located;
 - (b) the existing use (e.g. shops, offices, factories, residential, etc.); and
 - (c) whether the property is held on short lease, medium term lease or long lease or, if situated outside Hong Kong, is freehold; and
- (3) such other details as may be prescribed or requested from time to time by the Exchange, provided that if, in the opinion of the directors of the listed issuer, the number of the properties is such that compliance with this rule would result in particulars of excessive length being given, compliance with this rule shall not be required except in the case of properties which in the opinion of the directors are material.

18.23~~24~~ Statements as to:-

- (1) the unexpired period of any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), of any director proposed for re-election at the forthcoming annual general meeting or, if there are no such service contracts, a statement of that fact; and
- (2) the length of the term of appointment of every non-executive director (as required pursuant to rule 5.08).

18.24~~25~~ Particulars of any contract of significance subsisting during or at the end of the financial year in which a director of the listed issuer is or was materially interested, either directly or indirectly, or, if there has been no such contract, a statement of that fact.

Notes: 1 A "contract of significance" is one which represents in amount or value a sum equal to 5 per cent or more of:-

- (a) *in the case of a capital transaction or a transaction of which the principal purpose is the granting of credit, the net tangible assets of the listed issuer; or*
- (b) *in other cases, the total purchases, sales, payments or receipts, as the case may be, of the listed issuer.*

Where the listed issuer has subsidiaries, comparison must be made with the purchases, sales, payments, receipts or net tangible assets of the group on a consolidated basis.

- 2 *An interest in a transaction or arrangement is material for the purposes of disclosure in the accounts only if the board of directors considers it to be material but this is without prejudice to the question of whether or not such an interest is material in a case where the board has not considered the matter. The "board" here means the directors of the listed issuer preparing the accounts, or a majority of directors, but excluding in either case the director whose interest it is.*

18.2526 Particulars of any contract of significance between the listed issuer, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries.

Note: For the purposes of this rule and rule 18.2627, the words "controlling shareholder" mean any shareholder entitled to exercise, or control the exercise of, 35 per cent (or such lower amount as may from time to time be specified in the Takeover Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the listed issuer or one which is in a position to control the composition of a majority of the board of directors of the listed issuer.

18.2627 Particulars of any contract of significance for the provision of services to the listed issuer or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

Note: See Note 1 to rule 18.2425 and the Note to rule 18.2526.

18.2728 Information concerning the emoluments, pension and any compensation arrangements for the directors and past directors of the listed issuer as is specified in sections 161 and 161A of the Companies Ordinance (which information must be provided irrespective of where the listed issuer is in fact incorporated). The information provided pursuant to this rule must include, at least, the following particulars:

- (1) the aggregate of the directors' fees for such financial year;
- (2) the aggregate of the directors' basic salaries, housing allowances, other allowances and benefits in kind;
- (3) the aggregate of contributions to pension schemes for directors or past directors for such financial year;
- (4) the aggregate of bonuses paid or receivable by directors which are discretionary or are based on the listed issuer's, the group's or any member of the group's performance (excluding amounts disclosed in (5) and (6) below) for such financial year;
- (5) the aggregate of amounts paid during such financial year or receivable by directors as an inducement to join or upon joining the listed issuer; and
- (6) the aggregate of compensation paid during such financial year or receivable by directors or past directors for the loss of office as a director of any member of the group or of any other office in connection with the management of the affairs of any member of the group distinguishing between contractual and other payments (excluding amounts disclosed in (2) to (5) above).

Notes: 1 Sub-paragraphs (2) to (6) of this rule require an analysis of the amounts to be disclosed in the issuer's accounts under the provisions of section 161(1) of the Companies Ordinance.

2 Where a director is contractually entitled to bonus payments which are fixed in amount such payments are more in the nature of basic salary and accordingly should be disclosed under sub-paragraph (2) to this rule.

3 Where a director is contractually entitled to bonus payments which are determined as a percentage of turnover or profits of the listed issuer or any of its subsidiaries, then such payments should be disclosed under sub-paragraph (4) of this rule.

4 Where the information provided under sub-paragraphs (1) to (5) does not disclose the full compensation of a director for the financial year, any outstanding element of compensation must also be provided

18.29~~28~~29 The following additional information in respect of directors' emoluments:-

- (1) the information required pursuant to rule 18.27~~28~~28 must be analysed by individual director or past director and such that it is apparent as to which are the independent non-executive directors (but without any obligation to disclose any individual by name); and
- (2) particulars of any arrangement under which a director has waived or agreed to waive any emoluments.

Note: Where a director has agreed to waive future emoluments, particulars of such waiver must be given together with those relating to emoluments which accrued during the past financial year. This applies in respect to emoluments from the listed issuer or any of its subsidiaries or other person.

18.29~~30~~30 Additional information in respect of those 5 individuals whose emoluments (excluding amounts paid or payable by way of commissions on sales generated by the individual) were the highest in the listed issuer or the group for the year and details of the increase of each of their emoluments. Where all 5 of these individuals are directors of the listed issuer and the information required to be disclosed by this paragraph has been disclosed in directors' remuneration above, a statement of this fact shall be made and no additional disclosure is required. Where the details of one or more of the individuals whose emoluments were the highest have not been included in directors' remuneration above, the following information shall be disclosed:-

- (1) the aggregate of basic salaries, housing allowances, other allowances and benefits in kind for such financial year;
- (2) the aggregate of contributions to pension schemes for such financial year;
- (3) the aggregate of bonuses paid or receivable which are discretionary or are based on the listed issuer's, the group's or any member of the group's performance (excluding amounts disclosed in (4) and (5) below) for such financial year;
- (4) the aggregate of amounts paid during such financial year or receivable as an inducement to join or upon joining the listed issuer or the group;
- (5) the aggregate of compensation paid during such financial year or receivable for the loss of any office in connection with the management of the affairs of any member of the group distinguishing between contractual payments and other payments (excluding amounts disclosed in (1) to (3) above); and
- (6) an analysis showing the number of individuals whose remuneration (being amounts paid under (1) to (5) above) fell within bands from HK\$nil up to HK\$1,000,000 or into higher bands (where the higher limit of the band is an exact multiple of HK\$500,000 and the range of the band is HK\$499,999).

Notes: 1 It is not necessary to disclose the identity of the highest paid individuals.

2 The purpose of these disclosures is to provide shareholders with an indication of the fixed management costs of groups and accordingly employees who are higher paid by virtue of sales commissions are to be omitted from this disclosure.

18.30~~31~~31 Particulars of any arrangement under which a shareholder has waived or agreed to waive any dividends.

Note: Where a shareholder has agreed to waive future dividends, particulars of such waiver(s) must be given together with those relating to dividends which were payable during the past financial year. Waivers of dividends of minor amount may be disregarded provided that some payment has been made on each share during the relevant calendar year.

18.31~~32~~32 In the case of any issue for cash of equity securities made otherwise than to the listed issuer's shareholders in proportion to their shareholdings and which has not been specifically authorised by the listed issuer's shareholders:-

- (1) the reasons for making the issue;
- (2) the classes of equity securities issued;
- (3) as regards each class of equity securities, the number issued, their aggregate nominal value;
- (4) the issue price of each security;
- (5) the net price to the listed issuer of each security;
- (6) the names of the allottees, if less than 6 in number, and, in the case of 6 or more allottees, details of such allottees in accordance with rule 10.12(4);
- (7) the market price of the securities concerned on a named date, being the date on which the terms of the issue were fixed; and
- (8) the use of the proceeds.

18.3233A summary, in the form of a comparative table, of the published results and of the assets and liabilities of the group for the last 5 financial years. Where the published results and statement of assets and liabilities have not been prepared on a consistent basis this must be explained in the summary.

18.3334The following information in respect of pension schemes:

- (1) the nature of the principal scheme or schemes operated by the group (i.e. whether they are defined benefit plans or defined contribution plans);
- (2) a brief outline of how contributions are calculated or benefits funded;
- (3) the employer's pension cost charge to the profit and loss account for the period;
- (4) in the case of defined contribution schemes, details of whether forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions and if so, the amounts so utilised in the course of the year and available at the balance sheet date for such use; and
- (5) in the case of defined benefit plans, an outline of the results of the most recent formal independent actuarial valuation (which should be as at a date not earlier than 3 years prior to the date to which the listed issuer's accounts are drawn up) or later formal independent review of the scheme on an ongoing basis. This should include disclosure of:-
 - (a) the name and qualifications of the actuary, the actuarial method used and a brief description of the main actuarial assumptions;
 - (b) the market value of the scheme assets at the date of their valuation or review (unless the assets are administered by an independent trustee in which case this information may be omitted);
 - (c) the level of funding expressed in percentage terms; and
 - (d) comments on any material surplus or deficiency (including quantification of the deficiency) indicated by (c) above.

18.3435Where the listed issuer has caused any property assets to be valued (in accordance with Rule 8.01) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to the initial public offer of shares in the listed issuer, the assets shall be stated in the listed issuer's financial statements at such valuation (or subsequent valuation) less the aggregate amount provided or written off for depreciation or diminution in value unless:

- (1) such assets fall to be treated as investment properties in which case they will be accounted for in the manner specified for such properties in Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants from time to time or the International Accounting Standards as promulgated by the International Accounting Standards Committee from time to time (as appropriate); or
- (2) the ordinary course of business of the listed issuer and the group includes property development and the properties which have been valued are in the course of development or are held for future development and have been classified as such in the accounts of the listed issuer or the group in which case they will be accounted for in accordance with the listed issuer's or the group's accounting policy for such properties; and

in addition, listed issuers are required to state, by way of a note on the financial statements, the additional depreciation (if any) charged against the profit and loss account for the period as a consequence of complying with this rule.

Note: See also rule 18.4546 concerning PRC properties.

18.3536 If applicable, the information set out in rules 17.22 to 17.24 concerning on-going financial exposure to borrowers and other on-going matters of relevance.

18.3637 Except where the listed issuer is a banking company, a statement of the reserves available for distribution to shareholders by the listed issuer (as calculated under the provisions of section 79B of the Companies Ordinance) as at the balance sheet date.

Information in the annual report which is outside the scope of the auditor's report

18.3738 In addition, the information set out in rules 18.3839 to 18.4647 is to be included in the listed issuer's directors' report or chairman's statement attached to the annual report and accounts and will therefore be outside the scope of the auditor's report on the financial statements. (It is recognised that auditors are under no obligation to report on the listed issuer's compliance or otherwise with the disclosure provisions of the listing rules).

18.3839 Brief biographical details in respect of the directors and senior managers of the listed issuer. Such details will include name, age, positions held with the listed issuer and other members of the listed issuer's group, length of service with the listed issuer and the group and such other information (which may include business experience) of which shareholders should be aware, pertaining to the ability or integrity of such persons. Where any of the directors or senior managers are related, having with any other director or senior manager any one of the relationships set out below, that fact should be stated. The relationships are spouse; any person cohabiting with the director or senior manager as a spouse; and any relative meaning a child or step-child regardless of age, a parent or step-parent, a brother, sister, step-brother or step-sister, a mother-in-law, a father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law. Where any director of the listed issuer is a director or employee of a company which has an interest in the share capital of the listed issuer which would fall to be disclosed to the listed issuer under the provisions of Part II of the SDI Ordinance, that fact shall be stated.

It is the responsibility of the directors of the listed issuer to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries; heads of divisions, departments or other operating units within the group as, in the opinion of the listed issuer's directors, is appropriate.

18.3940 Additional information in respect of major customers (meaning, other than in relation to consumer goods or services, the ultimate customer, and in relation to consumer goods or services the ultimate wholesaler or retailer as the case may be) and suppliers (meaning the ultimate supplier of items which are not of a capital nature) as follows:-

- (1) a statement of the percentage of purchases attributable to the group's largest supplier;
- (2) a statement of the percentage of purchases attributable to the group's 5 largest suppliers combined;
- (3) a statement of the percentage of turnover or sales attributable to the group's largest customer;
- (4) a statement of the percentage of turnover or sales attributable to the group's 5 largest customers combined;

- (5) a statement of the interests of any of the directors; their associates; or any shareholder (which to the knowledge of the directors own more than 5 per cent of the listed issuer's share capital) in the suppliers or customers disclosed under (1) to (4) above or if there are no such interests a statement to that effect;
- (6) in the event that the percentage which would fall to be disclosed under (2) above is less than 30, a statement of that fact shall be given and the information required in (1), (2) and (5) (in respect of suppliers) may be omitted; and
- (7) in the event that the percentage which would fall to be disclosed under (4) above is less than 30, a statement of that fact shall be given and the information required in (3), (4) and (5) (in respect of customers) may be omitted.

Notes: 1 Rule 18.3940 applies to all listed issuers whose businesses comprise, in whole or in part, the supply of goods or services of whatever nature, and in the case of service references to customers includes the clients of such listed issuers.

2 In relation to consumer goods, references to customers are to the ultimate wholesaler or retailer, except when the listed issuer's business incorporates the wholesaling or retailing operation. In all other cases references to customers are to ultimate customer.

3 References to suppliers are primarily to those who provide goods or services which are specific to a listed issuer's business and which are required on a regular basis to enable the listed issuer to continue to supply or service its customers. Suppliers of goods and services which are freely available from a range of suppliers at similar prices or which are otherwise freely available (such as utilities) are excluded. In particular, it is recognised that an obligation on listed issuers who are providers of financial services (such as banks and insurance companies) to give information about suppliers would be of limited or no value, and there is therefore no disclosure requirement in respect of suppliers to such listed issuers.

4 The Exchange must be consulted if there is any doubt about the application of rule 18.3940.

18.4041A separate statement containing a discussion and analysis of the group's performance during the year and the material factors underlying its results and financial position. It should emphasise trends and identify significant events or transactions during the year under review. Additional guidance on those matters which the directors may wish to consider in preparing this review is set out in the Note below.

Notes: The matters on which directors may consider commenting on are:-

- (1) the group's liquidity and financial resources. This may include comments on the level of borrowings at the end of the period under review, the seasonality of borrowing requirements, and the maturity profile of borrowings and committed borrowing facilities. Reference may also be made to the funding requirements for capital expenditure commitments and authorisations;*
- (2) the capital structure of the group in terms of maturity profile of debt, type of capital instruments used, currency and interest rate structure. The discussion may cover funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled; the currencies in which borrowings are made and in which cash and cash equivalents are held; the extent to which borrowings are at fixed interest rates; the use of financial instruments for hedging purposes; and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments;*
- (3) the state of the group's order book (where applicable) and prospects for new business including new products and services introduced or announced;*
- (4) significant investments held, their performance during the year and their future prospects;*
- (5) details of material acquisitions and disposals of subsidiaries and affiliated companies in the course of the year;*

- (6) *comments on segmental information given in the directors' report and accounts. This may cover changes in the industry segment, developments within the segment and their effect on the results of that segment. It may also include changes in the market conditions, new products and services introduced or announced and their impact on the group's performance and changes in turnover and margins; and*
- (7) *details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes.*

It is recognised that comment may not be required on all these matters, or in some cases will not be applicable, in order to present a balanced review of the group's operations for the year.

18.41~~42~~A statement of any change in auditors of the listed issuer in any of the preceding 3 years.

18.42~~43~~In the case of the annual accounts of an issuer for the financial year in which its securities are first admitted to listing on GEM and the annual accounts for the 2 financial years thereafter, a detailed statement by the directors as to the progress of the issuer by comparison of actual business progress to the information provided in the statement of business objectives (as set out in its listing document) for the equivalent period, together with an explanation of any material differences (including as to its use of proceeds, as indicated in the listing document).

Note: The statements required for the purposes of this rule should, so far as practicable, be set out adopting the same headings and format as the statement of business objectives (see rules 14.19 to 14.21).

18.43~~44~~The following information in respect of the issuer:-

- (1) the composition, by name, of the audit committee (which information should be included in the corporate information section of the annual report);
- (2) the work undertaken by the audit committee during the financial year (which information should be included in the report of the directors or the review of operations);
- (3) the number of times that the audit committee met during the financial year; and
- (4) the full name and professional qualifications (if any) of:-
 - (a) the company secretary of the issuer;
 - (b) the qualified accountant of the issuer appointed pursuant to rule 5.10; and
 - (c) the compliance officer of the issuer appointed pursuant to rule 5.14.

18.44~~45~~Information as to the interests (if any) of the Sponsor and its directors, employees and associates, as notified to the issuer pursuant to rule 6.36 and all directors and management shareholders of the issuer and their respective associates as referred to in rule 11.04.

18.45~~46~~In respect of PRC properties where long term title certificates are not obtained by the issuer, any property revaluation surplus arising from those PRC properties must be excluded from the issuer's annual accounts.

18.46~~47~~If the relevant annual accounts do not give a true and fair view of the state of affairs and profit or loss and cash flow of the listed issuer or group, more detailed and/or additional information must be provided.

Note: If listed issuers are in doubt as to what more detailed and/or additional information should be provided, they should apply to the Exchange for guidance.

Miscellaneous

18.47~~48~~ Where the listed issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require any financial information to be included in the directors' report and accounts which need not be disclosed in a balance sheet or profit and loss account of the listed issuer which is drawn up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of those provisions.

Note: Insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

Preliminary announcement of results for the full year

Preliminary

18.48~~49~~ The issuer must, within 3 months after the date upon which the financial year ended, publish (in accordance with the requirements of Chapter 16) a preliminary announcement of the audited results for the full year containing the information set out in rules 18.49~~50~~ and, if applicable, rule 18.50~~51~~.

Content of preliminary announcement

18.49~~50~~ Subject to rule 18.65~~66~~ relating to banking companies, the preliminary announcement of results for the full year must confirm that the issuer's annual accounts have been audited and must contain at least the following information in respect of the group:

- (1) turnover;
- (2) profit (or loss) before taxation and extraordinary items, including the share of profit (or loss) of affiliated companies 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 affiliated companies' profits;
- (4) profit (or loss) attributable to minority interests;
- (5) profit (or loss) attributable to shareholders before extraordinary items;
- (6) extraordinary items (net of taxation);
- (7) profit (or loss) attributable to shareholders;
- (8) 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);
- (9) all movements to and from any reserves;
- (10) earnings per share calculated on the basis of profits before extraordinary items;
- (11) comparative figures of the matters specified in (1) to (10) inclusive for the corresponding previous period;
- (12) particulars of any purchase, sale or redemption by the issuer or any of its subsidiaries, of its listed securities during the relevant period, or any 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.*

18.50~~51~~In connection with the audit of the issuer's annual accounts:-

- (1) where the auditors' report has been or is to be qualified, the preliminary announcement of results must include details of such qualification; and
- (2) where the auditors' report has been or is to be modified, whether or not qualified, details of such modification, together with a full explanation of the circumstances leading to the modification, must be included in the preliminary announcement of results. Where the modifications in the auditors' report refer to specific notes to the financial statements, the information in the financial statements should also be included in the preliminary announcement.

Miscellaneous

18.51~~52~~Where the listed issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require any financial information to be included in the preliminary announcement which need not be disclosed in a balance sheet or profit and loss account of the listed issuer which is drawn up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of those provisions.

Note: Insurance and shipping companies will not be entitled to avoid themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

Half-year and quarterly reports

Obligation to prepare and publish

18.52~~53~~The listed issuer shall prepare, in respect of each of the first 3, 6 and 9 month periods of each financial year of the listed issuer, an interim report containing at least the information required by rule 18.54~~55~~ 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 interim 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. In the event that the results for the period in question (whether audited or not) have been included in the prospectus for the purpose of applying for a listing on the Exchange, there will be no obligation separately to publish the results.

- 2 *The figures in each interim 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 accounts. 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 reports.*

18.54As soon as reasonably practicable after publishing any half-year or quarterly report, the listed issuer shall send a copy of the same to the persons specified in rule 18.03.

Note: The issuer must send 100 copies of the relevant interim report to the Exchange at the same time as it is sent to the holders of its listed securities with registered addresses in Hong Kong (see rule 17.57).

Content of half-year and quarterly reports

18.55Subject to rule 18.66 relating to banking companies, each half-year and quarterly report shall contain at least the following information in respect of the group:-

- (1) the information set out in rule 18.4950; and
- (2) the further information set out in rules 18.5556 to 18.6364 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 an interim 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 half-year and 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.

18.56Subject to rule 18.5657, a statement as at the end of the relevant period showing:-

- (1) the interests of each director and chief executive of the listed issuer in the equity or debt securities of the listed issuer or any associated corporation (within the meaning of the SDI Ordinance) 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 the SDI 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; and
- (2) the details of any right to subscribe for equity or debt securities of the listed issuer granted to any director or chief executive of the listed issuer or to the spouse or children under 18 years of age of any such director or chief executive and of the exercise of such right,

as recorded in the register required to be kept under section 29 of the SDI Ordinance or as otherwise notified to the listed issuer and the Exchange pursuant to the minimum standards of dealing by directors of listed issuer as referred to in rule 5.40, or if there is no such interest or no such right that has been granted or exercised, a statement of that fact.

18.5657The statement required by rule 18.5556:-

- (1) must set out the total number or amount of such securities in which each director and chief executive is interested, as recorded in the issuer's register of interests, and then separately distinguish such interests between four categories as follows:—
 - (a) Personal interests — namely those beneficial interests in securities which are registered in the name of the director or chief executive or a nominee who holds the securities on his behalf and to his order (e.g. a streetname), including interests in securities which he has contracted to purchase;
 - (b) Family interests — namely those interests in securities which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to securities in which his spouse or his child under the age of 18 years are interested;
 - (c) Corporate interests — namely those interests in securities which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to the interests of a corporation where he is either entitled to exercise (or is taken under the SDI Ordinance to be able to exercise) or control the exercise of one third or more of the voting power in general meetings of that corporation or where the corporation or its directors are accustomed to act in accordance with his directions or instructions; and
 - (d) Other interests — namely those interests in securities recorded in the register of interests which do not fall within one of the above categories. This would include, by way of example, those interests which a director or chief executive is deemed or taken to have under the SDI Ordinance with respect to options which entitle a director or chief executive to call for the delivery of securities or to acquire an interest in securities and any interests in securities which arise as a result of the director or chief executive being a beneficiary or trustee of a trust (and which are not included as personal interests under category (a) above); and

in the case of interests which fall within categories (c) and (d) above, a note setting out the nature of such interests should be provided to assist shareholders and investors to understand how the interests arise; and

- (2) with regard to the information required to be included by virtue of rule 18.5556(1), must specify the company in which securities are held, the class to which those securities belong and the number of such securities held, but need not disclose the interests of a director in the equity securities 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 the non-beneficial interests of directors in the equity securities 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.

18.5758A statement as at the end of the relevant period showing the interest of every person, other than a director or chief executive of the listed issuer, in the equity securities of the listed issuer as recorded in the register required to be kept under section 16(1) of the SDI Ordinance and the amount of such interest, or if there is no such interest recorded in the register, a statement of that fact.

Note: For the purposes of rules 18.5657 and 18.5758, particulars should be given of the extent of any duplication which occurs.

18.5859An 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.

18.59~~60~~60 If applicable, the information set out in rules 17.22 to 17.24 concerning on-going financial exposure to borrowers and other on-going matters of relevance.

18.60~~61~~61 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.

18.61~~62~~62 In the case of the half-year report of an issuer for the financial year in which its securities are first admitted to listing on GEM (where the half-year end in question follows listing) and the half-year reports for the 2 financial years thereafter, a detailed statement by the directors as to the progress of the issuer by comparison of actual business progress to the information provided in the statement of business objectives (as set out in the listing document) for the equivalent period, together with an explanation of any material differences (including as to its use of proceeds, as indicated in the listing document).

Notes: 1 The statements required for the purposes of this rule should, so far as practicable, be set out adopting the same headings and format as the statement of business objectives (see rules 14.19 to 14.21).

2. This rule is not applicable to the quarterly reports of an issuer.

18.62~~63~~63 Information as to the interests (if any) of the Sponsor and its directors, employees and associates, as notified to the issuer pursuant to rule 6.36 and all directors and management shareholders of the issuer and their respective associates as referred to in rule 11.04.

18.63~~64~~64 Each half-year and 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) has been qualified or modified, details of such qualification or modification must be set out in the half-year or quarterly report, as appropriate.

Miscellaneous

18.64~~65~~65 Where the listed issuer is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule to the Companies Ordinance, nothing herein shall require any financial information to be included in the half-year report which need not be disclosed in a balance sheet or profit and loss account of the listed issuer which is drawn-up in accordance with that Ordinance by virtue of any of those provisions or as a direct effect or result of those provisions.

Note: Insurance and shipping companies will not be entitled to avail themselves of the benefit of the provisions of Part III of the Tenth Schedule to the Companies Ordinance.

Banking companies

18.65~~66~~66 This rule sets out the minimum level of information to be included in half-year reports, quarterly reports and preliminary announcements of issuers that are banking companies (meaning banks, restricted licence banks and deposit taking companies as defined in the Banking Ordinance.)

- (1) Interest income;
- (2) Interest expense;
- (3) Other operating income;
- (4) Operating expenses;
- (5) Charge for bad and doubtful debts;
- (6) Gains less losses from disposal of tangible fixed assets and long-term investments;
- (7) Exceptional items;

- (8) Taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation with separate disclosure of the taxation on share of profits of affiliated companies' profits;
- (9) Extraordinary items (net of taxation);
- (10) As appropriations:-
 - (a) transfers to or from inner reserves
 - (b) all movements to or from other reserves;
- (11) 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);
- (12) Earnings per share calculated on the basis of profits before extraordinary items;
- (13) Comparative figures of the matters specified in (1) to (12) inclusive for the corresponding previous period;
- (14) Those matters set out in rule 18.49~~50~~(12);
- (15) In the case of preliminary announcements, those matters set out in rule 18.50~~51~~; and
- (16) In the case of half-year and quarterly reports those matters set out in rules 18.55~~56~~ to 18.63~~64~~.

Chapter 25

EQUITY SECURITIES

ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

Chapter 11 - Qualifications for Listing

25.08 In the case of a PRC issuer, the requirements of rule 11.23 are replaced in their entirety by the following provisions and the provisions of rule 25.09:

- (1) There must be an open market in the securities for which listing is sought. This shall normally mean that:-
 - (a) at least the "minimum prescribed percentage" of any class of listed securities must at all times be held by the public. The minimum prescribed percentage of securities which must be in the hands of the public is set out in (2) below; and
 - (b) in the case of a class of securities new to listing, as at the time of listing, there must be an adequate spread of holders of such securities. The number will depend on the size and nature of the issue but, as a guideline, the securities in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose securities are held through CCASS).
- (2) The "minimum prescribed percentage" of any class of listed securities which the PRC issuer must at all times be in the hands of the public is determined as follows:
 - (a) if at any time there are existing issued securities of the PRC issuer other than H shares, then:-
 - (i) 100 per cent of H shares must be held by the public, except as otherwise permitted by the Exchange in its discretion;
 - (ii) H shares held by the public must normally constitute not less than 10 per cent of the total existing issued share capital of the PRC issuer; and
 - (iii) the aggregate amount of H shares and such other securities which are held by the public must constitute not less than the minimum prescribed percentage of the total issued share capital of the issuer; or
 - (b) if there are no existing issued securities of the PRC issuer other than H shares, then H shares held by the public must constitute not less than the minimum prescribed percentage of the total existing issued share capital of the PRC issuer.

Note: For the purposes of the GEM Listing Rules, the "minimum prescribed percentage" for any class of equity securities of a PRC issuer shall be established by reference to the issued share capital held by the public immediately prior to the date on which securities of the issuer first commence trading on GEM, in accordance with the following provisions [table](#):-

1 No new applicant may offer less than 20 per cent of its (enlarged) issued share

~~capital to the public in the initial public offering (including any placing (if any));~~

- ~~2 If the new applicant wishes to offer 25 per cent or more of its (enlarged) issued share capital to the public in the initial public offering, the minimum public float to be maintained by it at all times after listing must be 25 per cent of the share capital in issue from time to time; and~~
- ~~3 If the new applicant wishes to offer less than 25 per cent of its (enlarged) issued share capital to the public, the minimum amount offered must be 20 per cent, provided that if such amount would be insufficient to satisfy public demand for the new applicant's shares (on account of the offer being over-subscribed, whether through public subscription and/or placing, the issuer must increase the number of shares offered to satisfy public demand up to a maximum amount of 25 per cent of its (enlarged) issued share capital, following which, the minimum public float to be maintained by it at all times after listing must be equal to the relevant percentage of shares held by the public immediately prior to the date on which the issuer's shares first commence trading on GEM (up to a maximum of 25 per cent)).~~

Market capitalisation of the total existing issued share capital (determined as at the time of listing)

Minimum prescribed percentage of securities to be in public hands

Not exceeding HK\$1,000m

20 per cent

Over HK\$1,000m but not exceeding HK\$1,333m

The percentage that would result in the market value of the securities to be in public hands equal to HK\$200m (determined as at the time of listing)

Over HK\$1,333m

15 per cent

Exceptionally, the Exchange may accept lower percentages under this rule where it is satisfied that the number of securities concerned and the extent of their distribution would enable the market in Hong Kong to operate properly with a lower percentage.

Notes:1 Where a PRC issuer has existing issued securities other than H shares, rule 25.08(2)(a)(i) requires all H shares to be in public hands except as otherwise permitted by the Exchange in its discretion. In exercising such discretion, the Exchange normally will have regard to, among other considerations, the maximum percentage of the total amount of foreign shares (and, if applicable, H shares) permitted under applicable PRC law and the minimum percentage required under the PRC issuer's articles of association to pass a special resolution of holders of domestic shares or foreign shares (and, if applicable, H shares) at a separate meeting of such holders.

2 If at the time of listing a PRC issuer has no existing issued securities other than H shares but proposes at any time thereafter to issue any other securities ranking pari passu with its H shares and which are not being listed on GEM, then the PRC issuer must take action to ensure that it will be in compliance with the minimum public percentage requirements of rule 25.08(2)(a) upon issuance of any such securities.

3 PRC issuers should note that the minimum prescribed percentage of securities set forth in rule 25.08(2)(a)(iii) and the minimum prescribed percentage of H shares set

forth in rules 25.08(2)(a)(i), 25.08(2)(a)(ii) and 25.08(2)(b) must remain in public hands at all times. If any of these percentages falls below their respective prescribed minimum, the Exchange has the right to cancel the listing or suspend trading until appropriate steps have been taken to restore the respective minimum percentage in public hands. If the Exchange is satisfied that, even though any of these percentages has fallen below the minimum, there remains an open market in the securities, the Exchange may refrain from suspension against receipt of an undertaking from the controlling shareholder(s) of the PRC issuer to take appropriate steps to ensure restoration of the respective minimum percentage to public hands within a specified period. At any time when the percentage of securities or H shares in public hands is less than the required minimum, and the Exchange has permitted trading in the H shares to continue, the Exchange will monitor closely all trading in the H shares to ensure that a false market does not develop and will suspend the H shares promptly if there is any unusual price movement.

4 The Exchange will not regard any connected person of the PRC issuer or, at the time of listing and for the duration of the 6-month period referred to in rule 13.18 (the "moratorium period"), any significant shareholder, as a member of "the public" or shares held by any such person (in the case of a significant shareholder, being shares held by it during the moratorium period) as being "in public hands". In addition, the Exchange will not recognise as a member of "the public":-

(a) any person whose acquisition of securities has been financed directly or indirectly by a connected person; or

(b) any person who is accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the PRC issuer registered in that person's name or otherwise held by that person.

* additions underlined and deletions struck through

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part A

Equity Securities

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

Information about the securities for which listing is sought and the terms and conditions of their issue and distribution

14. (1) A statement that application has been or will be made to the Exchange for listing of and permission to deal in the securities.
- (2) A statement that all necessary arrangements have been made enabling the securities to be admitted into CCASS; ~~and~~
- (3) A statement to the effect that dealings in securities of the issuer may be settled through CCASS and that investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect their rights and interests; and
- (4) A statement of the minimum prescribed percentage applicable to the securities pursuant to rule 11.23. If the minimum prescribed percentage cannot be determined as at the date of the document, an indicative range should be provided.

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part B

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 securities for which listing is sought and the terms and conditions of their issue and distribution

9. (1) A statement that application has been or will be made to the Exchange for listing of and permission to deal in the securities.
- (2) In case of a new class of securities to be listed, a statement that all necessary arrangements have been made enabling the securities to be admitted into CCASS.
- (3) A statement to the effect that dealings in securities of the issuer may be settled through CCASS and that investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect their rights and interests.
- (4) In case of a new class of securities to be listed, a statement of the minimum prescribed percentage applicable to that class of securities pursuant to rule 11.23. If the minimum prescribed percentage cannot be determined as at the date of the document, an indicative range should be provided.