



Disclaimer for the Consolidated GEM Listing Rules

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Chapter 1

GENERAL

INTERPRETATION

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

“accounts”	has the same meaning as “financial statements” and vice-versa
“affiliated company”	a company which, in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is recorded using the equity method of accounting in an entity’s financial statements. This includes associated companies and jointly controlled entities as defined in those standards
“announcement”	announcement published under rule 16.17 and “announce” means make an announcement
“Application Proof”	a draft listing document that is required to be substantially complete and is submitted to the Exchange together with a listing application form for the purpose of listing equity securities of a new applicant
“approved share registrar”	a share registrar who is a member of an association of persons approved under section 12 of the Securities and Futures (Stock Market Listing) Rules
“Articles”	the Articles of Association of the Exchange
“asset-backed securities”	debt securities backed by financial assets which, at the time of the relevant issues, are evidenced by agreements and intended to produce funds to be applied towards interest payments due on the securities and repayment of principal on maturity, except those debt securities which are directly secured, in whole or in part, on real property or other tangible assets
“associate”	has the meaning in rule 20.06(2)
“authorised representative”	a person appointed as an authorised representative by a listed issuer under rule 5.24
“balance sheet”	has the same meaning as “statement of financial position” and vice-versa
“bank”	a bank licensed under the Banking Ordinance or a bank incorporated or otherwise established outside Hong Kong which is, in the opinion of the Hong Kong Monetary Authority, adequately supervised by an appropriate recognised banking supervisory authority in the place where it is incorporated or otherwise established

“bearer securities”	securities transferable to bearer
“Board”	the Directors of the Exchange elected or appointed in accordance with the Articles and, where the context so permits, any committee or sub-committee thereof
“business day”	any day on which the Exchange is open for the business of dealing in securities
“CCASS”	means the Central Clearing and Settlement System established and operated by HKSCC
“chief executive”	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 a listed issuer
“China Accounting Standards for Business Enterprises” or “CASBE”	financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
“China Auditing Standards” or “CAS”	standards and interpretations issued by the China Auditing Standards Board of the China Ministry of Finance
“close associate”	<p>(a) in relation to an individual means:—</p> <ul style="list-style-type: none"> (i) his spouse; (ii) any child or step-child, natural or adopted, under the age of 18 years of the individual or of his spouse (together with (a)(i) above, the “family interests”); (iii) the trustees, acting in their capacity as trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object; and (iv) [Repealed 3 June 2010] (v) any company in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this company; and

- (b) in relation to a company means:—
- (i) its subsidiary or holding company or a fellow subsidiary of its holding company;
 - (ii) the trustees, acting in their capacity as trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object; and
 - (iii) [Repealed 3 June 2010]
 - (iv) any other company in the equity capital of which the company, its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b) (ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company.

Notes: This definition is:—

- 1 *modified in the context of PRC issuers, by virtue of rule 25.04; and*
- 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;*

"Code of Conduct"	Code of Conduct for Persons Licensed by or Registered with the Commission
"Code on Share Buy-backs" or "Share Buy-backs Code"	the Code on Share Buy-backs approved by the Commission as amended from time to time
"Code on Takeovers and Mergers" or "Takeovers Code"	the Code on Takeovers and Mergers approved by the Commission as amended from time to time
"Commission"	the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of the Securities and Futures Ordinance
"Companies Ordinance"	the Companies Ordinance (Cap.622) as amended from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) as amended from time to time
"company"	a body corporate wherever incorporated or otherwise established
"Company Law"	the Company Law of the PRC adopted at the Fifth Session of the Standing Committee of the Eight National People's Congress on 29 December 1993 and effective from 1 July 1994, as amended, supplemented or otherwise modified from time to time
"Compliance Adviser"	the same meaning as in rule 6A.01
"connected person"	has the meaning in rule 20.06(7) <i>Note: The definition includes a person deemed to be connected by the Exchange under rule 20.07(6) only for the purpose of Chapter 20.</i>
"controlling shareholder"	any person who is or group of persons who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer; or in the case of a PRC issuer, the meaning ascribed to that phrase by rule 25.10
"convertible debt securities"	debt securities convertible into or exchangeable for equity securities or other property, and debt securities with non-detachable options, warrants or similar rights to subscribe or purchase equity securities or other property attached (which expression includes convertible bonds)
"convertible equity securities"	equity securities convertible into or exchangeable for shares and shares with non-detachable options, warrants or similar rights to subscribe or purchase shares attached (which expression excludes convertible bonds)
"core connected person"	<p>(a) for a company other than a PRC issuer, or any subsidiary of a PRC issuer, means a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them; and</p> <p>(b) for a PRC issuer means a director, supervisor, chief executive or substantial shareholder of the PRC issuer or any of its subsidiaries or close associate of any of them</p>

“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:—

- (a) the directors’ report and its annual accounts together with a copy of the auditors’ report thereon and, where applicable, its summary financial report;
- (b) the half-year report and, where applicable, its summary half-year report;
- (c) the quarterly report;
- (d) a notice of meeting;
- (e) a listing document;
- (f) a circular;
- (g) a proxy form
- (h) an Application Proof; and
- (i) a Post Hearing Information Pack or PHIP

“debt issuance programmes”

issues of debt securities where only part of the maximum principal amount or aggregate number of securities under the issue is issued initially and a further tranche or tranches may be issued subsequently

“debt securities”

debenture or loan stock, debentures, bonds, notes and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities

“director”

includes any person who occupies the position of a director, by whatever name called

“domestic shares”

shares issued by a PRC issuer under PRC law, the par value of which is denominated in Renminbi, and which are subscribed for in Renminbi

“effective economic interest”

in relation to any entity means the direct and/or indirect attributable economic interest therein

“Eligible Security”

means an issue of securities which is from time to time accepted as eligible by HKSCC for deposit, clearance and settlement in CCASS, in accordance with the General Rules of CCASS, and where the context so requires shall include any particular security or securities of such an issue

“equity securities”

shares (including preference shares), convertible equity securities and options, warrants or similar rights to subscribe or purchase shares or convertible equity securities

“Executive Director – Listing Division”	the person occupying the position of the Executive Director of the Listing Division from time to time by whatever name such position is called
“Exchange”	The Stock Exchange of Hong Kong Limited
“Exchange Participant”	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Exchange; and (b) whose name is entered in a list, register or roll kept by the Exchange as a person who may trade on or through the Exchange
“expert”	includes engineer, valuer, accountant and any other person whose profession gives authority to a statement made by him
“family interests”	the same meaning as in (a)(ii) of the definition of “close associate”
“financial year”	the period in respect of which any profit and loss account of a company laid or to be laid before it in general meeting is made up, whether that period is a year or not
“financial statements”	has the same meaning as “accounts” and vice-versa
“foreign shares”	shares issued by a PRC issuer under PRC law, the par value of which is denominated in Renminbi, and which are subscribed for in a currency other than Renminbi
“formal notice”	a formal notice required to be published under rules 16.07, 16.08, 29.18, 29.19 or 30.37
“gazetted newspapers”	those newspapers which are, from time to time, specified in the list of newspapers issued and published in the Gazette for the purposes of sections 162 to 169 of the Companies Ordinance by the Chief Secretary
“GEM”	the Growth Enterprise Market operated by the Exchange
“GEM Listing Rules” or “GLR” or “Rules”	the rules governing the listing of securities on GEM made by the Exchange from time to time
“GEM website”	the internet website operated by the Exchange for the purposes of GEM
“group”	the issuer or guarantor and its subsidiaries, if any
“H Shares”	overseas listed foreign shares of a PRC issuer which are listed and traded on GEM
“HKEC”	Hong Kong Exchanges and Clearing Limited
“HKEx-EPS”	means the Exchange’s electronic publication system by whatever name such system is called

"HKSCC"	means Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees
"holding company"	in relation to a company, means another company of which it is a subsidiary
"Hong Kong"	Hong Kong, the Special Administrative Region of the People's Republic of China
"Hong Kong Financial Reporting Standards" or "HKFRS"	financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They comprise (i) Hong Kong Financial Reporting Standards, (ii) Hong Kong Accounting Standards and (iii) Interpretations
"Hong Kong issuer"	an issuer incorporated or otherwise established in Hong Kong
"Hong Kong register"	for an overseas issuer including a PRC issuer, the part of its register of members or branch register located and maintained in Hong Kong pursuant to its articles of association
"IFA group"	<ul style="list-style-type: none"> (a) the independent financial adviser; (b) its holding company; (c) any subsidiary of its holding company; (d) any controlling shareholder of: <ul style="list-style-type: none"> (i) the independent financial adviser; or (ii) its holding company; and (e) any close associate of any controlling shareholder referred to in paragraph (d)
"income statement"	has the same meaning as "statement of profit or loss and other comprehensive income" and vice-versa
"inside information"	<p>has the meaning defined in the Securities and Futures Ordinance as amended from time to time</p> <p><i>Note: Where the Exchange interprets whether a piece of information is inside information in the context of enforcing the GEM Listing Rules, e.g. rules 13.11(4) and 23.05, it will be guided by decisions of the Market Misconduct Tribunal and published guidelines of the Commission</i></p>
"Inside Information Provisions"	Part XIVA of the Securities and Futures Ordinance

“International Financial Reporting Standards” or “IFRS”	financial reporting standards and interpretations approved by the International Accounting Standards Board (“IASB”), and includes all International Accounting Standards (“IAS”) and interpretations issued under the former International Accounting Standards Committee (“IASC”) from time to time
“International Standards on Auditing” or “ISA”	standards and interpretations issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants
“issue”	includes circulate, distribute and publish
“issuer”	any company or other legal person any of whose equity or debt securities are the subject of an application for listing on GEM or some or all of whose equity or debt securities are already listed on GEM
“listed issuer”	in the case of equity securities means any company or other legal person some of whose equity securities are already listed on GEM, and in the case of debt securities means a company or other legal person some of whose equity or debt securities are already listed on GEM
“listing”	the grant of a listing of and permission to deal in securities on GEM and “listed” shall be construed accordingly
“Listing Appeals Committee”	the listing appeals sub-committee of the Board
“Listing Committee”	the listing sub-committee of the Board
“Listing Division”	the Listing Department of the Exchange
“listing document”	a prospectus, circular or any equivalent document (including the composite document in relation to a scheme of arrangement and/or an introduction document) issued or proposed to be issued in connection with an application for listing
“Main Board”	the stock market operated by the Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM.
“Main Board Listing Rules”	the rules governing the listing of securities on the Main Board made by the Exchange from time to time
“new applicant”	in the case of equity securities means an applicant for listing none of whose equity securities are already listed on GEM and in the case of debt securities means an applicant for listing none of whose equity or debt securities are already listed on GEM
“notifiable transaction”	any of the transactions specified in rule 19.06

“overseas issuer”	an issuer incorporated or otherwise established outside Hong Kong
“overseas listed foreign shares”	in respect of a PRC issuer means foreign shares which are listed outside the PRC
“Post Hearing Information Pack” or “PHIP”	a near-final draft listing document for the listing of equity securities published on the GEM website
“practising accountant”	an individual, firm or company qualified for appointment as an auditor or reporting accountant of a company
“PRC”	for the purposes of the GEM Listing Rules means the People’s Republic of China, other than the regions of Hong Kong, Macau and Taiwan
“PRC issuer”	an issuer which is duly incorporated in the PRC as a joint stock limited company
“PRC law”	the applicable provisions of the PRC constitution, or any statute, ordinance, regulations, rule or normative statement from time to time in force in the PRC, as the context may require
“PRC property”	property located in the PRC
“PRC stock exchange”	the Shanghai Stock Exchange or the Shenzhen Stock Exchange
“Principal”	has the meaning given to it by the Commission’s Guidelines for Sponsors and Compliance Advisers from time to time
“professional accountant”	a person registered as a certified public accountant under the Professional Accountants Ordinance
“profit and loss account”	has the same meaning as “statement of profit or loss and other comprehensive income” and vice-versa
“promoter”	in relation to any PRC issuer, any person who undertook the establishment of such issuer, subscribed for shares of such issuer and assumes liability for such issuer’s establishment, prepared the initial articles of association of such issuer and convened the inaugural meeting of the subscribers of shares of such issuer, or any person who performed a similar role under PRC law in the establishment of a PRC issuer
“prospectus”	the same meaning as in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“public”	the meaning ascribed to that phrase by rule 11.23 and “in public hands” shall be construed accordingly
“published on the GEM website”	published, in the form prescribed by the GEM Listing Rules, in both the English and Chinese languages on the GEM website

“Regulations”	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council of the PRC on 4 August 1994, as amended, supplemented or otherwise modified from time to time
“reporting accountant”	the professional accountant or practising accountant who is responsible for the preparation of the accountants’ report included in a listing document or circular in accordance with Chapter 7
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Cap. 571) as amended from time to time
“selectively marketed securities”	debt securities marketed to or placed with any number of registered dealers or financial institutions either with a view to their reselling such securities as principals off-market, nearly all of which, because of their nature, will normally be purchased and traded by a limited number of investors who are particularly knowledgeable in investment matters or placing such securities with a limited number of such investors and “selective marketing” shall be construed accordingly
“significant shareholder”	<p>any person who, immediately prior to the date of the new applicant’s initial listing document and immediately prior to the date on which securities of the new applicant commence trading on GEM, is (or group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the new applicant</p> <p><i>Note: The Exchange reserves a power to deem any party to be a significant shareholder in circumstances where, prior to the date of issue of the new applicant’s initial listing document, that party has been entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the new applicant and, on or after the new applicant’s listing, that party again becomes entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the issuer.</i></p>
“SFC Sponsor Provisions”	paragraph 17 of the Code of Conduct
“Sponsor”	any corporation or authorised financial institution licensed or registered under the Securities and Futures Ordinance for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a Sponsor and, as applicable, which is appointed as a Sponsor pursuant to rule 6A.02
“Sponsors Guidelines”	Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers

“Statutory Rules”	the Securities and Futures (Stock Market Listing) Rules as amended from time to time, the text of which is set out in Appendix 12
“subsidiary”	includes: <ul style="list-style-type: none"> (a) a “subsidiary undertaking” as defined in schedule 1 to the Companies Ordinance; (b) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards; and (c) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards
“substantial shareholder”	in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company <i>Note: This definition is qualified in the case of connected transactions falling within rule 20.27.</i>
“summary financial report”	a summary financial report of a company, which complies with sections 437 to 446 of the Companies Ordinance
“supervisor”	a member elected to the supervisory committee of a PRC issuer which under PRC law performs a supervisory function in relation to such issuer’s board of directors, the manager and other officers
“tap issues”	issues of debt securities where the subscription thereof may continue or further tranches thereof may be issued after listing has been granted
“temporary documents of title”	allotment letters, letters of allocation, split receipts, letters of acceptance, letters of rights, renounceable share certificates and any other temporary documents of title
“title certificates”	for the purposes of PRC property must comprise:— <ul style="list-style-type: none"> (a) a state-owned land use rights certificate (國有土地使用證); or (b) a building ownership certificate (房屋所有權證); or (c) a real estate ownership certificate (房地產權證),

provided that the Exchange may, at its discretion, be prepared to accept other certificates or evidence of title in respect of a PRC property as title certificates for the purposes of the GEM Listing Rules, in which regard early consultation with the Exchange is required.

“trading halt”

an interruption of trading in an issuer’s securities requested or directed pending disclosure of information under the Rules and extending for no more than two trading days

Note: Where a trading halt exceeds two trading days, it will automatically become a trading suspension.

- 1.02 The GEM Listing Rules include all the appendices hereto and all practice notes issued by the Exchange from time to time concerning GEM and all of the notes set out in the Chapters hereof and appendices hereto. For the avoidance of doubt, the GEM Listing Rules do not include the Main Board Listing Rules.
- 1.03 In the GEM Listing Rules, references to a document being certified shall mean certified to be a true copy or extract (as the case may be) by a director, the secretary or other authorised officer of the issuer (or by a member of its governing body in the case of an overseas issuer) or by a member of the issuer’s auditors or solicitors or by a notary and references to a translation being certified shall mean certified to be a correct translation by a professional translator.
- 1.04 Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.
- 1.05 Where definitions in the GEM Listing Rules are wider than or the obligations and requirements imposed by the GEM Listing Rules are more onerous than the provisions of any ordinance, regulation or other statutory provision from time to time in force in Hong Kong, the provisions of the GEM Listing Rules shall prevail provided that where any provision of the GEM Listing Rules is in conflict with the provisions of any such ordinance, regulation or other statutory provision, the provisions of such ordinance, regulation or other statutory provision shall prevail.
- 1.06 The GEM Listing Rules shall be interpreted, administered and enforced by the Exchange. The decisions of the Exchange in respect thereof shall be conclusive and binding.
- 1.07 The Exchange may issue practice notes and other guidance materials on the GEM website, including guidance letters, listing decisions and other publications on the GEM website, from time to time, to assist issuers and guarantors, in the case of a guaranteed issue, Sponsors and other advisers in interpreting and complying with the GEM Listing Rules.
- 1.08 The GEM Listing Rules have been issued in the English language with a separate Chinese language translation. If there is any conflict in the GEM Listing Rules between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Chapter 2

GENERAL

INTRODUCTION

Preliminary

- 2.01 The principal function of the Exchange is to provide a fair, orderly and efficient market for the trading of securities. In furtherance of this, the Exchange has made the GEM Listing Rules under section 23 of the Securities and Futures Ordinance prescribing the requirements for the listing of securities on GEM. These comprise requirements which have to be met before securities may be listed and also continuing obligations with which an issuer and, where applicable, a guarantor must comply once listing has been granted. The GEM Listing Rules have been approved by the Commission pursuant to section 24 of that Ordinance.
- 2.02 The purpose of this book is to set out and explain those requirements.
- 2.03 Although GEM is operated by the Exchange, it is entirely distinct from the Main Board. As such the GEM Listing Rules apply only to GEM and the Main Board Listing Rules apply only to the Main Board.
- 2.04 Any entity seeking to withdraw its listing on GEM with a view to listing on the Main Board or vice versa will be obliged to comply fully with the respective rules applicable to the respective stock markets.
- 2.05 The GEM Listing Rules do not apply to Options Contracts traded through the Options System as defined in the Options Trading Rules of the Exchange and the Clearing Rules of The SEHK Options Clearing House Limited. The Traded Options Committee of the Exchange is primarily responsible for the supervision and regulation of the options market. Interested parties are directed to the Options Trading Rules of the Exchange and the Clearing Rules of The SEHK Options Clearing House Limited, as from time to time in effect.

General principles

- 2.06 The GEM Listing Rules are designed to ensure that investors have and can maintain confidence in the market and in particular that:—
- (1) applicants are suitable for listing;
 - (2) the issue and marketing of securities are conducted in a fair and orderly manner and that potential investors are given sufficient information to enable them to make a properly informed assessment of an issuer and, in the case of a guaranteed issue, the guarantor and of the securities for which listing is sought;
 - (3) investors and the public are kept fully informed by listed issuers and, in the case of a guaranteed issue, the guarantors of material factors which might affect their interests;
 - (4) all holders of listed securities are treated fairly and equally;
 - (5) directors of a listed issuer act in the interests of its shareholders as a whole – particularly where the public represents only a minority of the shareholders; and

- (6) all new issues of equity securities by a listed issuer are first offered to the existing shareholders by way of rights unless they have agreed otherwise.

In these last 4 respects, the GEM Listing Rules seek to secure for holders of securities, other than controlling interests, certain assurances and equality of treatment which their legal position might not otherwise provide.

- 2.07 It is emphasised that the GEM Listing Rules are not exhaustive and that the Exchange may impose additional requirements or make listing subject to special conditions whenever it considers it appropriate. Conversely, the Exchange may waive, modify or not require compliance with the GEM Listing Rules in individual cases (to suit the circumstances of a particular case), as a variety of circumstances may exist which require it to make ad hoc decisions. However, any waiver or modification of, or decision not to require compliance with, a rule, which is intended to have general effect (i.e. to affect more than one issuer and its subsidiaries at the same time) may only be granted with the prior consent of the Commission. The Exchange will not grant an individual waiver or modification of a rule, or agree not to require compliance with a rule, on a regularly recurring basis so as to create the same result as a general waiver. Consequently, both new applicants and listed issuers and, in the case of a guaranteed issue, guarantors are welcome to seek informal and confidential guidance from the Exchange at all times.
- 2.08 The GEM Listing Rules may be amended by the Exchange from time to time, subject to the approval of the Commission under section 24 of the Securities and Futures Ordinance.
- 2.09 Suitability for listing depends on many factors. Applicants for listing should appreciate that compliance with the GEM Listing Rules may not of itself ensure an applicant's suitability for listing. The Exchange retains a discretion to accept or reject applications and in reaching its decision will pay particular regard to the general principles outlined in rule 2.06. Informal and confidential guidance may be sought from the Exchange concerning the eligibility of any proposed application for listing.

Note: Queries should be addressed to the Listing Division and should, so far as practicable, be made by the Sponsor (other than in circumstances where the issuer is not required to have (or does not otherwise retain) a Sponsor).

- 2.10 Listing any securities on GEM, whether of a new applicant or a listed issuer, is in all cases subject to the approval of the Exchange.
- 2.11 No issuer may list its debt securities on GEM unless its equity securities, or the equity securities of its holding company, are already listed on GEM or will be listed on GEM at the same time as the issuer's debt securities.

Characteristics of GEM

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

Notes: 1 The qualifications for listing on GEM do not include any obligation to forecast future profitability.

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

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

- 2.13 The GEM Listing Rules require, and emphasise the on-going need for, comprehensive and timely disclosure of relevant information by all issuers. In this regard, particular attention is drawn to the following matters:—
- (1) A new applicant is required, in its initial listing document, to prepare a detailed statement of business objectives (see rule 11.15). It is subsequently required, in respect of its half-year end (in the event this follows listing) and full-year end for the financial year in which it is listed and the half-year ends and full-year ends of the two financial years thereafter, to draw up a comparison of actual business progress to the information provided in the statement of business objectives for the equivalent period and explain any material differences (including as to its use of proceeds, as indicated in the initial listing document) (see rules 18.08A);
 - (2) A listed issuer is required to publish audited annual accounts and half-year and quarterly reports, which reports need not be audited (see Chapter 18);
 - (3) [Repealed 1 January 2013]
 - (4) The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the GEM Listing Rules; and
 - (5) [Repealed 1 July 2008]
- 2.14 The Exchange expects each director of an issuer to be cognizant of the GEM Listing Rules and reasonably familiar with the obligations and duties imposed upon him and the issuer pursuant to the GEM Listing Rules, the Securities and Futures Ordinance, the Companies Ordinance, the Takeovers Code and the Code on Share Buy-backs.
- 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.
- 2.16 [Repealed 1 January 2005]

- 2.17 In circumstances where breaches of the GEM Listing Rules have been identified, the Exchange will take appropriate measures to enforce compliance and/or impose appropriate disciplinary measures.

Responsibility and confirmation

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

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

- Notes: 1 In cases where the directors of the issuer are responsible for part of a listing document, circular or announcement, the directors of another company being responsible for the remainder, the statement must be appropriately adapted. In exceptional cases, the Exchange may require other persons to give, or join in, the statement, in which case the statement must also be appropriately adapted.*
- 2 Announcements required to be issued pursuant to rule 9.11 (“holding” announcements issued in connection with a resumption of trading in an issuer’s securities), 17.11 or 31.05 (announcements issued in response to enquiries by the Exchange) need not comply with this rule, as they have their own prescribed form of statements of responsibility.*
- 3 All the directors of the issuer must, so far as reasonably practicable, participate in approving the form of any announcement to be published by the issuer, such that each accepts the responsibility and is able to provide the confirmation required pursuant to this rule. In exceptional circumstances, such as an issuer being required to publish an urgent announcement, it shall be permissible to exclude from the statement of responsibility and confirmation those directors with whom it has not been possible to communicate prior to publishing the announcement.*

Disclaimer and GEM characteristics statements

- 2.19 Any listing document, circular, announcement or notice issued by an issuer pursuant to the GEM Listing Rules must contain on its front cover or inside front cover, or as a heading, 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 document, 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 document.”

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

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

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

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

Communication with the Exchange

- 2.21 References in the GEM Listing Rules to informing or notifying the Exchange mean, unless the context requires otherwise, that the information must be either:—

- | | | | |
|-----|---|---|---|
| (1) | delivered in hard copy or in an electronic format as specified by the Exchange to | : | The Listing Division,
11th Floor, One International Finance Centre,
1 Harbour View Street, Central, Hong Kong; or |
| (2) | sent by electronic means (in the format specified by the Exchange) to | : | The Listing Division at its electronic mail address, as specified from time to time; or |
| (3) | sent by facsimile copy to | : | The Listing Division on 2295-3599, |

or to such other address or number as may be announced by the Exchange from time to time or in such other manner as may be determined and promulgated by the Exchange from time to time. In addition, a hard copy of such information must be provided to the Exchange if requested by the Exchange.

- 2.22 If the information is of an urgent nature, an authorised representative of the issuer or some other responsible officer of the issuer or its Sponsor, financial adviser or legal adviser should communicate the information to the Executive Director – Listing Division or his delegates by telephone, provided always that the communication is confirmed in writing, delivered by hand, electronic means or facsimile in accordance with rule 2.21, such written communication to follow promptly after the telephone communication.

2.23 Where the GEM Listing Rules require documents to be sent or submitted to the Exchange, they must be sent or delivered to the Listing Division in accordance with rule 2.21, unless otherwise stated in the GEM Listing Rules.

2.23A Where the GEM Listing Rules require a certain number of copies of a document to be sent or submitted to the Exchange, the Exchange may require the issuer to provide the Exchange with such lesser or greater number of such copies as the Exchange may reasonably determine.

2.24 The procedures for delivery of information and documentation to the Exchange and any changes or additions to those procedures may be determined and promulgated by the Exchange from time to time.

Structure

2.25 The GEM Listing Rules fall into three main parts: Chapters 1 to 9 set out matters of general application; Chapters 10 to 25 set out the requirements applicable to the issue of equity securities; and Chapters 26 to 35 set out the requirements applicable to the issue of debt securities. In addition, there are Appendices to certain of these Chapters.

Material interest in a transaction

2.26 Where a transaction or arrangement of an issuer is subject to shareholders' approval under the provisions of the GEM Listing Rules, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting.

Note: For the avoidance of doubt, any provision in the GEM Listing Rules requiring any other person to abstain from voting on a transaction or arrangement of an issuer which is subject to shareholders' approval shall be construed as being in addition to the requirement set out in rule 2.26.

2.27 For the purpose of determining whether a shareholder has a material interest, relevant factors include:

- (1) whether the shareholder is a party to the transaction or arrangement or a close associate of such a party; and
- (2) whether the transaction or arrangement confers upon the shareholder or his close associate a benefit (whether economic or otherwise) not available to the other shareholders of the issuer.

There is no benchmark for materiality of an interest nor may it necessarily be defined in monetary or financial terms. The materiality of an interest is to be determined on a case by case basis, having regard to all the particular circumstances of the transaction concerned.

Note: The references to "close associate" shall be changed to "associate" where the transaction or arrangement is a connected transaction under Chapter 20.

2.28 The issuer must, to the extent that it is aware having made all reasonable enquiries, include in the listing document or circular:

- (1) a statement as at the date by reference to which disclosure of the shareholding is made in the listing document or circular as to whether and to what extent any shareholder who is required to abstain from voting under the GEM Listing Rules controls or is entitled to exercise control over the voting right in respect of his shares in the issuer;

(2) particulars of:

- (a) any voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any such shareholder; and
- (b) any obligation or entitlement of any such shareholder as at the date by reference to which disclosure of the shareholding of any such shareholder is made in the listing document or circular,

whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his shares in the issuer to a third party, either generally or on a case-by-case basis;

- (3) a detailed explanation of any discrepancy between any such shareholder's beneficial shareholding interest in the issuer as disclosed in the listing document or circular and the number of shares in the issuer in respect of which he will control or will be entitled to exercise control over the voting right at the relevant meeting; and
- (4) steps undertaken by the shareholder (if any) to ensure shares being the subject of the discrepancy referred to in rule 2.28(3) are not voted.

Fees and other charges

- 2.29 Of relevance to issuers, the details of the initial listing fee, annual listing fee, subsequent issue fee and other charges, together with details of the brokerage charge, transaction levies and trading fees on new issues are set out in Appendix 9.

Chapter 3

GENERAL

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

General

- 3.01 The Board has arranged for all of its powers and functions in respect of all listing matters in relation to GEM to be discharged by the GEM Listing Committee and/or its delegates, subject to the review procedures set out in this Chapter and Chapter 4. Any function which under the GEM Listing Rules may be performed by the Exchange or any power which under the GEM Listing Rules may be exercised by the Exchange may, therefore, be performed or exercised by the GEM Listing Committee and/or its delegates. Accordingly, the GEM Listing Committee and, in relation to certain powers of review, the Listing Appeals Committee have sole power and authority to act in relation to all listing matters to the exclusion of the Board unless and until the Board revokes these arrangements.
- 3.02 The GEM Listing Committee has arranged for most of these powers and functions to be discharged by the Listing Division and the Chief Executive of the Exchange (the "Chief Executive"), subject to the reservations and review procedures set out in this Chapter and Chapter 4. In the first instance, therefore, all matters concerning the GEM Listing Rules will be dealt with by the Listing Division. The Listing Division will also interpret, administer and enforce the GEM Listing Rules subject to the review procedures set out in this Chapter and Chapter 4.
- 3.03 In discharging their respective functions and powers the Listing Appeals Committee, the GEM Listing Committee, the Listing Division and the Chief Executive are required to administer the GEM Listing Rules, and otherwise to act, in the best interest of the market as a whole and in the public interest.
- 3.04 All references in Chapters 3 and 4 to decisions and rulings of the Listing Division include decisions and rulings made by the Chief Executive.

Application procedures

New applicants

- 3.05 Every application for listing by a new applicant (whether in relation to equity securities or debt securities) should be submitted to the Listing Division which may approve or reject it. If the Listing Division approves a listing it will normally issue a notification of approval in principle, and then issue a formal approval letter, in due course.

Listed issuers

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

Sponsors

- 3.07 [Repealed 1 January 2007]

Guidance

- 3.08 Prospective issuers, and in particular new applicants, are encouraged (through their Sponsors, where applicable) to contact the Listing Division to seek informal and confidential guidance as to the eligibility of a proposed application for listing at the earliest possible opportunity.

Cancellation procedures

- 3.09 The GEM Listing Committee has reserved to itself the power to cancel the listing of a listed issuer. This means that a listed issuer will not have its listing cancelled unless the GEM Listing Committee has considered the matter.

Note: Transfer from GEM to the Main Board is not regarded as a cancellation of listing from the Exchange (see rule 9.24(2)).

Disciplinary procedures

- 3.10 In addition to its powers to suspend, resume or cancel a listing, if the GEM Listing Committee finds that there has been a breach by any of the parties named in rule 3.11 of the GEM Listing Rules it may:—
- (1) issue a private reprimand;
 - (2) issue a public statement which involves criticism;
 - (3) issue a public censure;
 - (4) report the offender's conduct to the Commission or another regulatory authority (for example the Financial Secretary, the Commissioner of Banking or any professional body) or to an overseas regulatory authority;
 - (5) ban a professional adviser or a named individual employed by a professional adviser from representing a specified party in relation to a stipulated matter or matters coming before the Listing Division or the GEM Listing Committee for a stated period;
 - (6) require a breach to be rectified or other remedial action to be taken within a stipulated period including, if appropriate, the appointment of an independent adviser to minority shareholders;
 - (7) in the case of wilful or persistent failure by a director of a listed issuer to discharge his responsibilities under the GEM Listing Rules, state publicly that in the Exchange's opinion the retention of office by the director is prejudicial to the interests of investors;

- (8) in the event a director remains in office following a public statement pursuant to paragraph (7) above, suspend or cancel the listing of the issuer's securities or any class of its securities;
- (9) in the case of wilful or persistent failure by a listed issuer to discharge its responsibilities under the GEM Listing Rules, order that the facilities of the market be denied for a specified period to that issuer and prohibit dealers and financial advisers from acting or continuing to act for that issuer;
- (10) take, or refrain from taking, such other action as it thinks fit, including making public any action taken pursuant to paragraphs (4), (5), (6), (8) or (9) above.

3.11 The sanctions in rule 3.10 may be imposed or issued against any of the following:—

- (a) a listed issuer or any of its subsidiaries;
- (b) any director of a listed issuer or any of its subsidiaries or any alternate of such director;
- (c) any member of the senior management of a listed issuer or any of its subsidiaries;
- (d) any substantial shareholder of a listed issuer;
- (e) any significant shareholder;
- (f) any professional adviser of a listed issuer or any of its subsidiaries;
- (g) any authorised representative of a listed issuer;
- (h) any supervisor of a PRC issuer; and
- (i) the guarantor of an issuer in the case of a guaranteed issue of debt securities.

For the purposes of this rule “professional adviser” includes any financial adviser, lawyer, accountant, property valuer or any other person retained by an issuer to provide professional advice in relation to a matter governed by the GEM Listing Rules. It does not include Sponsors or Compliance Advisers.

Notes: 1 The scope of any disciplinary action taken, in particular any ban imposed on a professional adviser pursuant to rule 3.10(5), shall be limited to matters governed by or arising out of the GEM Listing Rules.

2 In exercising its powers of sanction the Exchange will recognise the differing roles and levels of responsibility of the persons against whom sanctions may lie in pursuance of rule 3.11. In particular, professional advisers' obligations to use all reasonable efforts to ensure that their clients understand and are advised as to the scope of the GEM Listing Rules are subject to any relevant requirements of professional conduct, as policed and enforced by any professional body of which that adviser is a member.

- 3.12 The GEM Listing Committee will, if requested by any party to be reprimanded, criticised, censured or otherwise sanctioned in pursuance of the powers contained in rules 3.10 and 3.11 (an “appellant”) give its reasons in writing for the decision made against that appellant pursuant thereto and that appellant shall have the right to have the decision against him referred to the GEM Listing Committee again for review. If the GEM Listing Committee modifies or varies the ruling of the earlier meeting, it will, if requested by the appellant, give its reasons in writing for the modification or variation and, in respect of decisions pursuant to rule 3.10(2), (3), (5), (7), (8) or (9) only, the appellant shall have a right to a further and final review of the decision against the appellant by the Listing Appeals Committee. The decision of the Listing Appeals Committee on review shall be conclusive and binding on the appellant. If requested by the appellant, the Listing Appeals Committee will give reasons in writing for its decision on review.
- 3.13 A request for a review of any decision of the Listing Division or the GEM Listing Committee made pursuant to rule 3.12 must be notified to the Exchange within 7 days of the Listing Division’s or the GEM Listing Committee’s decision unless written reasons for a decision are requested, in which case a request for a review of that decision must be notified within 7 days of the receipt of the written reasons.
- 3.14 Any request for the Listing Division, the GEM Listing Committee or the Listing Appeals Committee to give its reasons in writing for its decision shall be made within 3 business days of its decision. Where requested, written reasons for a decision will be provided by the Listing Division, the GEM Listing Committee or the Listing Appeals Committee (as the case may be) as soon as possible and, in any event, within 14 days of the request.
- 3.15 Any person, other than an issuer, its Sponsor, Compliance Adviser and 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.
- 3.16 The GEM Listing Committee may from time to time prescribe such procedures and regulations for any review meetings or hearings as it may think fit.

Rights of parties to be heard

- 3.17 In any disciplinary proceedings of the GEM Listing Committee and on any further review of the decision resulting from those proceedings by the GEM Listing Committee or the Listing Appeals Committee, the party the subject of such proceedings shall have the right to attend the meeting, to make submissions and to be accompanied by its professional advisers. In all disciplinary proceedings the Listing Division will provide the parties with copies of any papers to be presented by it at the meeting, in advance of the meeting.

Composition of the GEM Listing Committee

- 3.18 Subject to casual vacancies from time to time the GEM Listing Committee shall consist of 28 members or such greater number of members as the Board may from time to time agree, comprising:—
- (1) at least eight individuals who the Listing Nominating Committee considers will represent the interests of investors;

- (2) nineteen individuals who the Listing Nominating Committee considers will be a suitable balance of representatives of listed issuers and market practitioners including lawyers, accountants, corporate finance advisers and Exchange Participants or officers of Exchange Participants; and
- (3) the Chief Executive of HKEC acting as ex officio member.

3.19 [Repealed May 2006]

**Appointment and removal of
members of the GEM Listing Committee**

3.20 [Repealed 1 January 2016]

- 3.21 Members of the GEM Listing Committee shall be appointed by the Board. The Board may appoint only persons nominated in accordance with rule 3.22.
- 3.22 The persons eligible for appointment or re-appointment in each year as members of the GEM Listing Committee shall be nominated by a Listing Nominating Committee comprising three non-executive members of the board of HKEC and the Chairman and two Executive Directors of the Commission. In their deliberations the Listing Nominating Committee shall seek the views of the current Chairman and Deputy Chairmen of the GEM Listing Committee.
- 3.23 The Chairman and Deputy Chairmen of the GEM Listing Committee shall be nominated by the Listing Nominating Committee and appointed by the Board. The Listing Nominating Committee may choose to nominate one or more than one Deputy Chairman and the Board may choose to appoint one or more than one Deputy Chairman. The Chief Executive of HKEC may not be elected as either Chairman or Deputy Chairman of the GEM Listing Committee.
- 3.23A Members of the GEM Listing Committee shall normally be appointed for a term of approximately twelve months.
- 3.24 All members of the GEM Listing Committee shall vacate office at the end of their term unless they are re-appointed by the Board for a further full term or such shorter period as the Board may stipulate at the time of re-appointment. Subject to rule 3.26, all members of the GEM Listing Committee are eligible for re-appointment.
- 3.25 The Board may fill any casual vacancies that may occur in the GEM Listing Committee by reason of resignation, retirement or otherwise. A person eligible for appointment to fill any such casual vacancy shall be nominated by the Listing Nominating Committee and shall be a person who is eligible within the same category of rule 3.18 as the member who has vacated office. The term of a member appointed to fill a casual vacancy in an office shall end on the same date as the term of the member whose vacation from that office created the casual vacancy.

3.26 Members of the GEM Listing Committee may only remain in office for a maximum of six consecutive years in addition to any period of appointment pursuant to rule 3.25 for the purpose of filling a casual vacancy. A member who has served for the maximum period permitted by this rule may be eligible for re-appointment after the lapse of two years from the date on which he last vacates office. Notwithstanding the foregoing, in exceptional circumstances, the Listing Nominating Committee shall have the discretion to nominate a person for re-appointment at any time before the lapse of two years from the date such person vacates office and the Board shall have the power to appoint such person.

3.27 The office of a member of the GEM Listing Committee shall be vacated if any one of the following events occurs:—

- (1) if a receiving order is made against him or he makes any arrangement or composition with his creditors;
- (2) if he becomes insane or is found to be of unsound mind within the meaning of the Mental Health Ordinance (Cap. 136);
- (3) if by notice in writing to the Board and the GEM Listing Committee, he resigns from his office; or
- (4) if by reason of serious misconduct he is removed by the Board and a written statement setting out the reasons for his removal has been delivered to the Commission,

provided that the acts of such member shall nevertheless be treated as valid and effectual in all respects up to and until an entry of the vacation of office shall be entered in the minutes of the GEM Listing Committee.

Functions and powers of the GEM Listing Committee

3.28 The GEM Listing Committee shall exercise all the powers and functions of the Board in relation to all listing matters in relation to GEM. The GEM Listing Committee's exercise of such powers and functions is only subject to the powers of review in the Listing Appeals Committee.

Conduct of meetings of the GEM Listing Committee

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

Composition of the Listing Appeals Committee

- 3.30 The Listing Appeals Committee, being the final appellate body of the Exchange in respect of both GEM and the Main Board, shall consist of the chairman and 2 other members of the board of HKEC.
- 3.31 The Chairman of the Listing Appeals Committee shall be the chairman of the board of HKEC.
- 3.32 The Chairman of the Listing Appeals Committee shall appoint a Deputy Chairman from amongst the members of the board of HKEC, except the Chief Executive Officer of HKEC. The Chairman of the Listing Appeals Committee shall vacate office when a new chairman of the board of HKEC is appointed by the members of the board of HKEC and approved in writing by the Chief Executive of Hong Kong or upon his earlier removal from the chairmanship of the board of HKEC. The Deputy Chairman of the Listing Appeals Committee shall vacate office upon (i) the expiry of his term as a director of HKEC unless he is re-appointed or re-elected as a director of HKEC (as the case may be) and re-appointed by the Chairman of the Listing Appeals Committee as Deputy Chairman; or (ii) his earlier removal as director of HKEC.
- 3.33 The third member shall be chosen and invited to sit on the Listing Appeals Committee by the Chairman of the Listing Appeals Committee as and when the Listing Appeals Committee is required to review a decision of the GEM Listing Committee and shall cease to be a member once the Listing Appeals Committee has given its decision upon the matter or upon resignation, whichever is the sooner. The third member shall be a member of the board of HKEC, except the Chief Executive of HKEC.
- 3.34 In the event that either the Chairman or the Deputy Chairman of the Listing Appeals Committee is materially interested in the outcome of a review (otherwise than as a member of the board of HKEC and, where applicable, of the Board) or is otherwise unavailable to hear a review then the one who is available shall appoint a replacement member for the purposes of hearing that review and such person shall cease to be a member once the Listing Appeals Committee has given its decision upon the matter or upon resignation, whichever is the sooner. The replacement member appointed must be a member of the board of HKEC.
- 3.35 In the event that both the Chairman and the Deputy Chairman of the Listing Appeals Committee are materially interested in the outcome of a review (otherwise than as members of the board of HKEC and, where applicable, of the Board) or are otherwise unavailable to hear a particular review the board of HKEC shall appoint a temporary Chairman of the Listing Appeals Committee from the members of the board of HKEC. The temporary Chairman shall appoint a temporary Deputy Chairman and a third member of the Listing Appeals Committee from the members of the board of HKEC to hear that review. The temporary Chairman, the temporary Deputy Chairman and the third member appointed by the temporary Chairman shall all cease to be members of the Listing Appeals Committee once the Listing Appeals Committee has given its decision upon the matter or upon resignation whichever is the sooner. The provisions of rule 3.34 and this rule shall apply mutatis mutandis to the temporary Chairman and temporary Deputy Chairman as if all references to the Chairman and Deputy Chairman were references to the temporary Chairman and temporary Deputy Chairman respectively.

- 3.36 The Chairman of the Listing Appeals Committee may not invite a person to sit on the Listing Appeals Committee if that person was present at any meeting of the GEM Listing Committee at which the decision under review was made or considered or is otherwise materially interested in the outcome of the review (otherwise than as an Exchange Participant or a member of the board of HKEC and, where applicable, of the Board).

Functions and powers of the Listing Appeals Committee

- 3.37 The Listing Appeals Committee shall be the review body in respect of any decision of the GEM Listing Committee on any of the following matters:—
- (1) that an application for listing by a new applicant has been rejected solely on the grounds that the issuer or its business is unsuitable for listing;
 - (2) [Repealed 1 January 2007]
 - (3) that a person's appointment as an issuer's compliance officer or authorised representative should be terminated;
 - (4) that an application for the lifting of a suspension of dealings in the securities of an issuer has been rejected where the suspension has been in place for more than 30 consecutive days;
 - (5) that a request by an issuer for the suspension of dealings in its securities has been rejected or where a decision has been made to direct the resumption of dealings in the issuer's securities;
 - (6) that the listing of a listed issuer be cancelled; or
 - (7) any decision pursuant to rule 3.10 (2), (3), (5), (7), (8) or (9).

Conduct of meetings of the Listing Appeals Committee

- 3.38 The Listing Appeals Committee shall meet for the despatch of business, adjourn and otherwise regulate its meetings in accordance with the provisions of the rules made by the Board for this purpose, including rules governing members' conflicts of interest, subject to the provisions of this rule. The quorum necessary for the transaction of any business by the Listing Appeals Committee shall be 3 members present in person.

Bona fide acts of committee members

- 3.39 All bona fide acts of a member of the GEM Listing Committee or any member of the Listing Appeals Committee pursuant to the resolutions passed at any meeting of those Committees shall, as regards all persons dealing in good faith with the Exchange, notwithstanding that it be subsequently discovered that there was some defect in the appointment of any such member or that such member was for some reason ineligible for appointment, be deemed to be valid as if every member had been duly appointed and was qualified to be a member of the relevant Committee.

Chapter 4

GENERAL

REVIEW PROCEDURE

General

- 4.01 The GEM Listing Committee has retained the role of oversight of the Listing Division and the Chief Executive to ensure that they exercise those powers and carry out their day-to-day functions in a professional and impartial manner. This oversight role does not mean, however, that the GEM Listing Committee will be involved in the day-to-day administration of the GEM Listing Rules but the GEM Listing Committee will act as an independent review body and has retained the right to review at any time, on its own volition, any decision of the Chief Executive, the Executive Director of the Listing Division or any member of the staff of the Listing Division which is made under any of the powers delegated by the GEM Listing Committee and to endorse, modify, vary or reverse any such decision. In addition, the GEM Listing Committee has the power to impose directions, regulations or restrictions on the Chief Executive, the Executive Director - Listing Division and the staff of the Listing Division in respect of the way in which they are to carry out their delegated authority.

Definitions and Interpretation

4.01A In this Chapter:

- (1) Where this Chapter provides a time limit for performing any act within a specified number of business days of receipt of the relevant document, the act is to be performed within the specified number of business days after, but not including, the date of receipt of the relevant document.
 - (2) “Return Decision” means the Listing Division’s decision to return a new applicant’s listing application and all related documents to its Sponsor (except for the retention of a copy of these documents for the Exchange’s record) on the ground that the information in the listing application form, Application Proof, or any other relevant documents under rules 12.22 and 12.23 is not substantially complete under rule 12.09(1). A Return Decision does not include a rejection decision under rule 4.05(1)
 - (3) “Review Request” means a written request by the relevant party for a review of the decision of the Listing Division, GEM Listing Committee or the GEM Listing (Review) Committee (as the case may be) under rules 4.05, 4.06 and 4.07 which must be served on the Secretary of the GEM Listing Committee, the Secretary of the GEM Listing (Review) Committee or the Secretary of the Listing Appeals Committee (hereinafter referred to as the “Secretary”), as the case may be
- 4.02 The GEM Listing Committee may at any time conduct a hearing in relation to any matter relating to or arising out of the GEM Listing Rules and it may require the attendance at such hearing of such persons and the production to such hearing of such documents as it deems appropriate. As provided in this Chapter, certain decisions of the Listing Division may be referred to the GEM Listing Committee for review; certain decisions of the GEM Listing Committee may be referred to the GEM Listing (Review) Committee (as defined in rule 4.06(2)) for review; certain decisions of the GEM Listing Committee or the GEM Listing (Review) Committee may also be referred to the Listing Appeals Committee for review.

4.03 The GEM Listing Committee may from time to time prescribe such procedures and regulations for any review hearings as it may think fit.

4.04 (1) Notwithstanding rule 4.03 and provisions in respect of the application form set out in Appendix 5A, a listed issuer or new applicant shall submit to the GEM Listing Committee or the Listing Division, as the case may be, information for an application for listing pursuant to each application form no more than 2 times, subject always to:—

- (a) the GEM Listing Committee or the Listing Division, as the case may be, permitting otherwise if it considers necessary;
 - (b) only one right of review by the listed issuer or new applicant against the latest decision made by the GEM Listing Committee or the Listing Division, as the case may be, as at the date of the Review Request pursuant to rule 4.08; and
 - (c) rule 4.11(5).
- (2) (a) The Listing Division shall only consider a revised application for listing if the new applicant provides new information for consideration by the Listing Division.
- (b) The GEM Listing Committee shall only consider a revised application for listing if the listed issuer provides new information for consideration by the GEM Listing Committee.
- (3) Subject to rule 4.04(1), the listed issuer or the new applicant may, if it considers necessary, submit its application for listing together with a new application form again for the consideration by the GEM Listing Committee or the Listing Division, as the case may be.

**Review cases of a new applicant to be considered by the GEM Listing Committee
and the GEM Listing (Review) Committee**

- 4.05 (1) (a) Where the Listing Division rejects an application for listing by a new applicant, the new applicant has the right to have that ruling reviewed by the GEM Listing Committee.
- (b) The decision of the GEM Listing Committee on review is conclusive and binding on the new applicant except where a new applicant is rejected solely on the grounds of unsuitability of the new applicant itself or its business.

Note: A rejection decision under rule 4.05(1) does not include a Return Decision.

- (2) (a) A new applicant and/or its Sponsor have the right to have a Return Decision reviewed by the GEM Listing Committee.
- (b) Where the GEM Listing Committee endorses the Return Decision, the new applicant and/or the Sponsor have the right to have the Return Decision referred to the GEM Listing (Review) Committee for a review. The decision of the GEM Listing (Review) Committee on the review is conclusive and binding on the new applicant and the Sponsor.

**Review cases of a listed issuer to be considered by the GEM Listing Committee
and the GEM Listing (Review) Committee**

- 4.06 (1) Where the Listing Division makes a ruling on the listed issuer, the listed issuer may request that the ruling be referred to the GEM Listing Committee and the GEM Listing Committee may, in its sole discretion, review the ruling at a first review hearing of the GEM Listing Committee.
- (2) Subject to rule 4.04, where the GEM Listing Committee endorses, modifies or varies the Listing Division's ruling or makes its own ruling, the listed issuer may request that it be referred to the GEM Listing (Review) Committee for a review of the ruling.
- (3) The decision of the Listing Division, the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee, as the case may be, shall be binding on the listed issuer if the listed issuer does not seek review of the decision of the Listing Division, the GEM Listing Committee or the GEM Listing (Review) Committee, as the case may be; otherwise, the decision of the GEM Listing (Review) Committee or, in the cases to which rule 4.07 applies, the decision of the Listing Appeals Committee, shall be conclusive and binding on the listed issuer.

Review cases to be considered by the Listing Appeals Committee

- 4.07 The Listing Appeals Committee shall be the review hearing body in respect of any decision of the GEM Listing Committee or GEM Listing (Review) Committee on any of the following matters:—

- (1) Rejection of a new applicant - unsuitability for listing

Where the GEM Listing Committee on review of an earlier decision by the Listing Division rejects the new applicant solely on the ground that the new applicant or its business is not suitable for listing, the new applicant shall have a right to a further and final review of the application by the Listing Appeals Committee. The Listing Appeal Committee's decision will then be conclusive and binding on the new applicant.

- (2) [Repealed 1 January 2007]

- (3) Rejection of a compliance officer or an authorised representative

- (a) 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.
- (b) 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 Listing Appeals 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.

- (4) Rejection of a lifting of suspension of dealings
 - (a) Where the Listing Division rejects an application by a listed issuer to lift a suspension of dealings which has been in effect for more than 30 consecutive days, the listed issuer shall have the right to have that decision referred to the GEM Listing Committee for review.
 - (b) Where the GEM Listing Committee endorses, modifies or varies the Listing Division's decision, that listed issuer shall have the right to have that decision reviewed by the Listing Appeals Committee, whose decision shall be conclusive and binding on that listed issuer.
- (5) Rejection of a suspension of dealings or decision to direct a resumption of dealings
 - (a) Where the Listing Division rejects an application by a listed issuer for a suspension of dealings in its securities or a decision is made to direct the resumption of dealings in accordance with rule 9.12, the listed issuer shall have the right to have that decision referred to the GEM Listing Committee for review.
 - (b) Where the GEM Listing Committee endorses, modifies or varies the Listing Division's decision, that listed issuer shall have the right to have the decision reviewed by the Listing Appeals Committee, whose decision shall be conclusive and binding on that listed issuer.
- (6) Cancellation of a listing
 - (a) Following a decision to cancel the listing of a listed issuer, the GEM Listing Committee will set down a detailed review procedure upon the receipt of the written request made including time limits for submitting documents on a case by case basis.
 - (b) Where the GEM Listing Committee decides to cancel the listing of a listed issuer, the listed issuer shall have the right to have that decision referred to the GEM Listing (Review) Committee again for review.
 - (c) Where the GEM Listing (Review) Committee endorses, modifies or varies the earlier decision of the GEM Listing Committee, the listed issuer shall have a right to further and final review of that decision by the Listing Appeals Committee, whose decision shall be conclusion and binding on the listed issuer.

Time for application

- 4.08 (1) A Review Request for reviewing any decision of the Listing Division, the GEM Listing Committee or the GEM Listing (Review) Committee (as the case may be) under rules 4.05(1), 4.06 and 4.07 must be served on the Secretary, within 7 business days of receipt of either the relevant decision, or if the relevant party requests a written decision under rule 4.13(1), that written decision.
- (2) A Review Request for reviewing a Return Decision or a GEM Listing Committee's decision to endorse a Return Decision must include the grounds for the review together with reasons and be served on the Secretary within 5 business days of receipt of the written decision under rule 4.13(2).

Notice of review hearing

- 4.09 Upon the receipt of the written request for a review of any decision of the Listing Division, the GEM Listing Committee or GEM Listing (Review) Committee, the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee, as the case may be, will convene a hearing to review the matter in accordance with the procedures as prescribed by the Secretary; provided that when the GEM Listing Committee or GEM Listing (Review) Committee considers that it is necessary to resolve an issue urgently, it may stipulate such time as may be necessary within which the relevant party should be informed as to the date for the review hearing.

Prehearing procedures

- 4.10 In all review cases, the Listing Division and the relevant parties will provide each other and the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee through the Secretary of the relevant Committee with copies of any papers to be presented by it at the hearing, in advance of the review hearing.

Conduct of review hearing

- 4.11 (1) The GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee shall meet for the despatch of business, adjourn and otherwise regulate its hearings in accordance with the provisions of the rules made by the Board for this purpose, including rules governing members' conflicts of interest, subject to the provisions of this rule.
- (2) The quorum necessary for the transaction of any business by the GEM Listing Committee or the GEM Listing (Review) Committee shall be 5 members present in person. The quorum necessary for the transaction of any business by the Listing Appeals Committee shall be 3 members present in person.
- (3) The Chief Executive of HKEC may only be counted in the quorum for a meeting of the GEM Listing Committee at which the GEM Listing Committee is determining a matter in the first instance. He shall not be counted in the quorum for GEM Listing (Review) Committee at which a decision of the GEM Listing Committee is under review. The Chief Executive of HKEC may attend meetings of the GEM Listing (Review) Committee convened for such purpose and put forward his views (if any) on the matter under review but he shall not thereafter be entitled to participate in the deliberations of the GEM Listing (Review) Committee or to vote on such matters.
- (4) At any meeting held to review an earlier decision of the GEM Listing Committee, subject to the facts and circumstances arising in the earlier meeting(s) in each case and subject further to the absolute discretion of either the Chairman of the GEM Listing Committee or the GEM Listing (Review) Committee, as the case may be, all of the members present at the review hearing shall be persons who were not present at the earlier GEM Listing Committee meeting.
- (5) (a) Before seeking to review a decision of the GEM Listing Committee or the Listing Division (the "Original Body") by the GEM Listing (Review) Committee or the GEM Listing Committee (the "Reviewing Body"), the relevant party shall have provided the Original Body with all or any new information for consideration by the Original Body.
- (b) A party may only request a review of a decision of the Original Body when all the relevant information and evidence has been provided to the Original Body. A party seeking to review shall not seek to present to the Reviewing Body new information or evidence that was not previously presented to the Original Body.

- (c) If the Listing Division upon receipt of the written submission from the relevant party discovers that the relevant party adduces new information in its written submissions prepared for the review hearing, the Listing Division shall notify the Secretary immediately so that arrangements may be made for the relevant party to withdraw its application for review. The new submission will then be considered by the GEM Listing Committee or the Listing Division, as the case may be, as a first instance hearing.
 - (d) Sub-rules (a), (b) and (c) do not apply to a review relating to a Return Decision. In a review of a Return Decision or a GEM Listing Committee's decision to endorse a Return Decision, any materials submitted to the GEM Listing Committee or the GEM Listing (Review) Committee must be based on the original materials submitted to the Listing Division when the new applicant first filed its listing application.
- (6) [Repealed 1 July 2008]
- (7) (a) At a GEM Listing Committee or Listing Appeals Committee hearing, the directors of the new applicant have the right to attend the hearing, to make submissions and to be accompanied by one representative of each of the Sponsor, authorised representatives, proposed or otherwise, the financial adviser, the legal adviser and auditors of the new applicant or; a Sponsor or authorised representative may be accompanied by its/his legal adviser.
 - (b) At a GEM Listing (Review) Committee or Listing Appeals Committee hearing, the directors of the listed issuer have the right to attend the hearing, to make submissions and to be accompanied by one representative of each of the Compliance Adviser, authorised representatives, the financial adviser, the legal adviser and auditors of the listed issuer; a Compliance Adviser or authorised representative may be accompanied by its/his legal adviser.
- (8) In the case of a review hearing sought by a compliance officer or an authorised representative under rule 4.07(3), 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.
- (9) Sub-rule (7) does not apply to a review relating to a Return Decision. In a review hearing of a Return Decision by the GEM Listing Committee or the GEM Listing (Review) Committee, the directors of the new applicant and/or one representative of each Sponsor have the right to attend the hearing, to make submissions and to be accompanied, in the case of the directors of the new applicant, by one representative of each of the new applicant's financial adviser, legal adviser and auditors; and in the case of each Sponsor, by its legal adviser. If all the parties seeking a review decide not to attend the hearing, the hearing will proceed based on the documents submitted for hearing. For the avoidance of doubt, if a party seeking a review decides not to attend the hearing, the hearing will proceed in his absence.

Role of the Secretary

- 4.12 (1) The Secretary shall be responsible for overseeing and co-ordinating the operation of the review procedures.

- (2) Any notices, notifications and all other documents required to be submitted to the Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee must be served upon the Secretary who will ensure that copies are provided to the other parties and members of the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee, as appropriate.
- (3) The Secretary shall advise the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee on procedural matters, but all decisions on such matters shall be made only by the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee as the case may be; and the Secretary shall carry out such duties as may from time to time be authorised by the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee.
- (4) The Secretary shall be the point of contact for all parties, including the representatives of the Listing Division and the relevant party seeking a review, in respect of any administrative matter arising out of the review procedures.
- (5) The Secretary shall refer any pre-review hearing enquiries or matters, procedural or otherwise, to the Chairman proposed for any of the GEM Listing Committee, GEM Listing (Review) Committee or Listing Appeals Committee, as the case may be, for confirmation or decision or if the proposed Chairman so directs, the Secretary shall refer the same to the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee, as the case may be, for its decision.

Request for written reasons

- 4.13 (1) Except for a review relating to a Return Decision, on receipt of a decision by the Listing Division, the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee (as the case may be) a relevant party has 3 business days to request written reasons for the decision. The Listing Division, the GEM Listing Committee, the GEM Listing (Review) Committee or the Listing Appeals Committee (as the case may be) will provide written reasons within 14 business days of receipt of the request.
- (2) The Listing Division, the GEM Listing Committee or the GEM Listing (Review) Committee (as the case may be) will provide written reasons for its Return Decision or decision to endorse a Return Decision.

Costs

- 4.14 Upon submission of a Review Request pursuant to rule 4.08, a non-refundable fee of HK\$60,000 is payable to the Exchange, for each review, by any party seeking to review a decision of the Listing Division, the GEM Listing Committee or the GEM Listing (Review) Committee, as the case may be, pursuant to this Chapter.

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

Directors

5.01 The board of directors of an issuer is collectively responsible for its management and operations. The Exchange expects the directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director:—

- (1) act honestly and in good faith in the interests of the company as a whole;
- (2) act for proper purpose;
- (3) be answerable to the issuer for the application or misapplication of its assets;
- (4) avoid actual and potential conflicts of interest and duty;
- (5) disclose fully and fairly his interests in contracts with the issuer; and
- (6) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer.

Directors must satisfy the required levels of skill, care and diligence. Delegating their functions is permissible but does not absolve them from their responsibilities or from applying the required levels of skill, care and diligence. Directors do not satisfy these required levels if they pay attention to the issuer's affairs only at formal meetings. At a minimum, they must take an active interest in the issuer's affairs and obtain a general understanding of its business. They must follow up anything untoward that comes to their attention.

Directors are reminded that if they fail to discharge their duties and responsibilities, they may be disciplined by the Exchange and may attract civil and/or criminal liabilities under Hong Kong law or the laws of other jurisdictions.

Note: These duties are summarised in "A Guide on Directors' Duties" issued by the Companies Registry. In addition, directors are generally expected by the Exchange to be guided by the Guidelines for Directors and the Guide for Independent Non-executive Directors published by the Hong Kong Institute of Directors (www.hkiod.com). In determining whether a director has met the expected standard of care, skill and diligence, courts will generally consider a number of factors. These include the functions that are to be performed by the director concerned, whether he is a full-time executive director or a part-time non-executive director and his professional skills and knowledge.

5.02 Every director must satisfy the Exchange that he has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of an issuer. The Exchange may request information regarding the background, experience, other business interests or character of any director or proposed director of an issuer. The Exchange expects every director of an issuer:—

- (1) to be cognizant of the GEM Listing Rules and reasonably familiar with the obligations and duties imposed upon him and the issuer pursuant to the GEM Listing Rules, the Securities and Futures Ordinance, the Companies Ordinance, the Takeovers Code and the Code on Share Buy-backs. The Exchange reserves a right to require directors to demonstrate their knowledge and understanding of the same; and
- (2) to respond, in a prompt and efficient manner, to all enquiries directed at him by the Exchange.

5.03 The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the GEM Listing Rules.

5.04 Every director shall comply with the required standard of dealings set out in rules 5.48 to 5.67 of this Chapter or the issuer's own set of rules on no less exacting terms. (See rules 5.46 and 5.47)

Independent non-executive directors

5.05 Subject to the transitional provisions in rule 5.08:

- (1) every board of directors of an issuer must include at least 3 independent non-executive directors; and
- (2) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

Note: With regard to "appropriate accounting or related financial management expertise," the Exchange would expect the person to have, through experience as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a public company or through performance of similar functions, experience with internal controls and in preparing or auditing comparable financial statements or experience reviewing or analysing audited financial statements of public companies. It is the responsibility of the board to determine on a case-by-case basis whether the candidate is suitable for the position. In making its decision, the board must evaluate the totality of the individual's education and experience.

5.05A An issuer must appoint independent non-executive directors representing at least one-third of the board.

Note: The issuer must comply with this rule by 31 December 2012.

5.06 An issuer shall immediately inform the Exchange and publish an announcement containing the relevant details and reasons if at any time the number of its independent non-executive directors falls below:

- (1) the minimum number required under rule 5.05(1) or at any time it has failed to meet the requirement set out in rule 5.05(2) regarding qualification of the independent non-executive directors; or
- (2) one-third of the board as required under rule 5.05A.

The issuer shall appoint a sufficient number of independent non-executive directors to meet the minimum number required under rule 5.05(1) or 5.05A or appoint an independent non-executive director to meet the requirement set out in rule 5.05(2) within three months after failing to meet the requirement(s).

5.07 In addition to fulfilling the requirements and continuing obligations of rules 5.01, 5.02 and 5.09, every independent non-executive director must satisfy the Exchange that he has the character, integrity, independence and experience to fulfil his role effectively. The Exchange may stipulate a minimum number of independent non-executive directors which is higher than 3 if, in the opinion of the Exchange, the size of the board or other circumstances of the issuer justify it.

5.08 In respect of all issuers whose securities were admitted to listing on or before 31 March, 2004, the following transitional provisions apply:—

- (1) the issuer must have at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise by 30 September, 2004; and
- (2) the issuer must have at least 3 independent non-executive directors by 30 September, 2004.

5.09 In assessing the independence of a non-executive director, the Exchange will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director:—

- (1) holds more than 1% of the number of issued shares of the issuer;

Notes:

1. *An issuer wishing to appoint an independent non-executive director holding an interest of more than 1% must satisfy the Exchange, prior to such appointment, that the candidate is independent. A candidate holding an interest of 5% or more will normally not be considered independent.*

2. *When calculating the 1% limit set out in rule 5.09(1), the issuer must take into account the total number of shares held legally or beneficially by the director, together with the total number of shares which may be issued to the director or his nominee upon exercise of any outstanding share options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of shares.*

- (2) has received an interest in any securities of the issuer as a gift, or by means of other financial assistance, from a core connected person or the issuer itself. However, subject to Note 1 to rule 5.09(1), the director will still be considered independent if he receives shares or interests in securities from the issuer or its subsidiaries (but not from core connected persons) as part of his director's fee or pursuant to share option schemes established in accordance with Chapter 23;
- (3) is a director, partner or principal of a professional adviser which currently provides or has within one year immediately prior to the date of his proposed appointment provided services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:
 - (a) the listed issuer, its holding company or any of their respective subsidiaries or core connected persons; or
 - (b) any person who was a controlling shareholder or, where there was no controlling shareholder, any person who was the chief executive or a director (other than an independent non-executive director), of the listed issuer within one year immediately prior to the date of the proposed appointment, or any of their close associates;
- (4) has a material interest in any principal business activity of or is involved in any material business dealings with the issuer, its holding company or their respective subsidiaries or with any core connected persons of the issuer;
- (5) is on the board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders as a whole;
- (6) is or was connected with a director, the chief executive or a substantial shareholder of the issuer within 2 years immediately prior to the date of his proposed appointment;

Note: Without prejudice to the generality of the foregoing, any person cohabiting as a spouse with, and any child, step-child, parent, step-parent, brother, sister, stepbrother and step-sister of, a director, the chief executive or a substantial shareholder of the issuer is, for the purpose of rule 5.09(6), considered to be connected with that director, chief executive or substantial shareholder. A father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a director, the chief executive or a substantial shareholder of the issuer may in some circumstances also be considered to be so connected. In such cases, the issuer will need to provide the Exchange with all relevant information to enable the Exchange to make a determination.

- (7) is, or has at any time during the 2 years immediately prior to the date of his proposed appointment been, an executive or a director (other than an independent non-executive director) of the issuer, of its holding company or of any of their respective subsidiaries or of any core connected persons of the issuer;

Note: An "executive" includes any person who has any management function in the company and any person who acts as a company secretary of the company.

- (8) is financially dependent on the issuer, its holding company or any of their respective subsidiaries or core connected persons of the issuer.

An independent non-executive director shall submit to the Exchange a written confirmation which must state:

- (a) his independence as regards each of the factors referred to in rule 5.09(1) to (8);
- (b) his past or present financial or other interest in the business of the issuer or its subsidiaries or any connection with any core connected person (as such term is defined in the GEM Listing Rules) of the issuer, if any; and
- (c) that there are no other factors that may affect his independence at the same time as the submission of his declaration, undertaking and acknowledgement in the relevant form set out in Appendix 6.

Each independent non-executive director shall inform the Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his independence and must provide an annual confirmation of his independence to the issuer. The issuer must confirm in each of its annual reports whether it has received such confirmation and whether it still considers the independent non-executive director to be independent.

Note: The factors set out in rule 5.09 are included for guidance only and are not intended to be exhaustive. The Exchange may take account of other factors relevant to a particular case in assessing independence.

- 5.10 Where a proposed independent non-executive director fails to meet any of the independence guidelines set out in rule 5.09, the issuer must demonstrate to the satisfaction of the Exchange, prior to the proposed appointment, that the person is independent. The issuer must also disclose the reasons why such person is considered to be independent in the announcement of his appointment as well as in the next annual report published after his appointment. In cases of doubt, the issuer must consult the Exchange at an early stage.

- 5.11 Independent non-executive directors who were appointed by issuers on or before 31 March, 2004 shall submit to the Exchange a written confirmation in respect of the factors set out in rule 5.09 concerning their independence no later than 30 September, 2004.

5.12 If an independent non-executive director resigns or is removed from office, both the issuer and the individual should immediately notify the Exchange, in each case stating the reasons therefor.

5.12A By no later than 31 March 2009, a director who was appointed by a listed issuer before 1 January 2009 and who continues to hold office shall execute and submit to the Exchange a new Undertaking in the form set out in Part 2 of Form A or B in Appendix 6 (as the case may be) save for the omission of the declaration set out in paragraph (i) thereof.

5.13 [Repealed 1 January 2005]

Company secretary

5.14 The issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Exchange, capable of discharging the functions of company secretary.

Notes: 1 The Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;*
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and*
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).*

2 In assessing "relevant experience," the Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles he played;*
- (b) familiarity with the GEM Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;*
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under rule 5.15; and*
- (d) professional qualifications in other jurisdictions.*

5.15 In each financial year an issuer's company secretary must take no less than 15 hours of relevant professional training.

Note: A person who was a company secretary of an issuer:

- (1) on or after 1 January 2005 must comply with rule 5.15 for the financial year commencing on or after 1 January 2012;*
- (2) between 1 January 2000 to 31 December 2004 must comply with rule 5.15 for the financial year commencing on or after 1 January 2013;*
- (3) between 1 January 1995 to 31 December 1999 must comply with rule 5.15 for the financial year commencing on or after 1 January 2015; and*

- (4) on or before 31 December 1994 must comply with rule 5.15 for the financial year commencing on or after 1 January 2017.

5.16 [Repealed 1 January 2009]

5.17 [Repealed 1 January 2009]

5.18 [Repealed 1 January 2009]

Compliance officer

5.19 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 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 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 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 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.

Authorised representatives

5.24 Every issuer must ensure that, at all times, it has 2 authorised representatives. The authorised representatives must be 2 individuals from amongst the issuer's executive directors and company secretary (unless the Exchange, in exceptional circumstances, agrees otherwise).

5.25 The responsibilities of an authorised representative are:—

- (1) supplying the Exchange with details in writing of how to contact him including home, office, mobile and other telephone numbers, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Exchange from time to time;

- (2) for so long as the issuer continues to have a Sponsor or Compliance Adviser, assisting the Sponsor or Compliance Adviser in their roles as set out in the GEM Listing Rules, in particular the Sponsor's role as the principal channel of communication with the Exchange concerning the affairs of the issuer;

Notes: 1 In this regard, the authorised representatives shall provide the Sponsor with the information necessary to enable the Sponsor to fulfil its duty of communicating on the issuer's behalf with the Exchange and ensure the issuer meets its obligations to the Sponsor and Compliance Adviser as set out in Chapter 6A.

- 2 In the event that the Exchange, for whatever reason, is unable to contact or liaise with the Sponsor concerning any particular matter relevant to the issuer, the authorised representatives will be expected to assume full responsibility for contacting or responding to the Exchange concerning that matter.*

- (3) from such time as the issuer is no longer required to have (or does not otherwise retain) a Sponsor, acting as the principal channel of communication between the Exchange and the listed issuer (in particular, as regards any communication required prior to commencement of trading in the morning); and
- (4) ensuring that whenever he is away, a suitable alternate is appointed (and authorised to speak on behalf of the issuer), available and known to the Exchange and supplying the Exchange with details in writing of how such alternate may be contacted including home, office and mobile telephone numbers and, where available, facsimile numbers and electronic mail addresses.

Note: If the authorised representatives and, or their alternates are based outside Hong Kong (or are otherwise expected to be frequently outside Hong Kong), they must ensure that they can be readily contactable by the Exchange on the contact details provided to the Exchange under this rule.

- 5.26 A person appointed as an authorised representative 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 the authorised representative until it has appointed a replacement. Where a person's appointment as an authorised representative 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.
- 5.27 If the Exchange is not satisfied that any person appointed as an authorised representative is fulfilling his responsibilities adequately, it may require the issuer to terminate his appointment and appoint or designate a replacement.

Audit committee

- 5.28 Every issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in rule 5.05(2). The majority of the audit committee members must be independent non-executive directors of the issuer. The audit committee must be chaired by an independent non-executive director.

Notes: 1 *This rule and rules 5.29 to 5.33 do not apply to an issuer of debt securities, the equity securities of which are not listed on GEM.*

2 *The transitional provisions set out in rule 5.08 shall apply.*

3. *For further guidance on establishing an audit committee, listed issuers may refer to “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 2002. Issuers may adopt the terms of reference set out in that guide, or they may adopt any other comparable terms of reference for the establishment of an audit committee.*

4. *Please also see the note to rule 5.05(2).*

5.29 The board of directors of the issuer must approve and provide written terms of reference for the audit committee which clearly establish the committee’s authority and duties.

5.30 [Repealed 1 January 2005]

5.31 [Repealed 1 January 2005]

5.32 [Repealed 1 January 2005]

5.33 An issuer shall, pursuant rule 17.51(2), immediately inform the Exchange and publish an announcement containing the relevant details and reasons if the issuer fails to set up an audit committee or at any time has failed to meet any of the other requirements set out in rule 5.28 regarding the audit committee. Issuers shall set up an audit committee and/or appoint appropriate members to the audit committee to meet the requirement(s) within 3 months after failing to meet such requirement(s).

Remuneration Committee

5.34 An issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

5.35 The board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

5.36 If the issuer fails to set up a remuneration committee or at any time has failed to meet any of the other requirements in rules 5.34 and 5.35, it must immediately publish an announcement containing the relevant details and reasons. Issuers must set up a remuneration committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) within three months after failing to meet them.

- 5.37 [Repealed 1 January 2005]
- 5.38 [Repealed 1 January 2005]
- 5.39 [Repealed 1 January 2005]
- 5.40 [Repealed 1 January 2005]
- 5.41 [Repealed 1 January 2005]
- 5.42 [Repealed 1 January 2005]
- 5.43 [Repealed 1 January 2005]
- 5.44 [Repealed 1 January 2005]
- 5.45 [Repealed 1 January 2005]

Securities transactions by directors

Basic principles

- 5.46 Rules 5.48 to 5.67 set out the required standard against which issuers and their directors must measure their conduct regarding transactions in securities of their issuers (the “required standard of dealings”). Any breach of the required standard of dealings will be regarded as a breach of the GEM Listing Rules. A director must seek to secure that all dealings in which he is or is deemed to be interested are conducted in accordance with the required standard of dealings.
- 5.47 An issuer may adopt its own code on terms no less exacting than the required standard of dealings if it so wishes. Any breach of such code will not be a breach of the GEM Listing Rules unless it is also a breach of the required standard of dealings.
- 5.48 The Exchange regards it as desirable that directors of an issuer should hold securities in the issuer.
- 5.49 Directors wishing to deal in any securities in an issuer must first have regard to the provisions of Part XIII and Part XIV of the Securities and Futures Ordinance with respect to insider dealing and

market misconduct. However, there are occasions where directors should not be free to deal in the issuer's securities even though the statutory requirements will not be contravened.

- 5.50 The single most important thrust of the required standard of dealings is that directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 19 or connected transactions under Chapter 20 of the GEM Listing Rules or any inside information must refrain from dealing in the issuer's securities as soon as they become aware of them or privy to them until the information has been announced. Directors who are privy to relevant negotiations or agreements or any inside information should caution those directors who are not so privy that there may be inside information and that they must not deal in the issuer's securities for a similar period.
- 5.51 In addition, a director must not make any unauthorised disclosure of confidential information, whether to co-trustees or to any other person (even those to whom he owes a fiduciary duty) or make any use of such information for the advantage of himself or others.

Interpretation

5.52 For the purpose of the required standard of dealings:

- (1) "dealing" includes, subject to rule 5.52(4), any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of the issuer or any entity whose assets solely or substantially comprise securities of the issuer, and the grant, acceptance, acquisition, disposal, transfer, exercise or discharge of any option (whether call, put or both) or other right or obligation, present or future, conditional or unconditional, to acquire, dispose of or transfer securities, or any interest in securities, of the issuer or any such entity, in each case whether or not for consideration and any agreements to do any of the foregoing, and "deal" shall be construed accordingly;
- (2) "beneficiary" includes any discretionary object of a discretionary trust (where the director is aware of the arrangement) and any beneficiary of a non-discretionary trust;
- (3) "securities" means listed securities and any unlisted securities that are convertible or exchangeable into listed securities and structured products (including derivative warrants), such as those described in Chapter 15A of the Main Board Listing Rules, issued in respect of the listed securities of an issuer;
- (4) notwithstanding the definition of "dealing" under rule 5.52(1), the following dealings are not subject to the required standard of dealings:
 - (a) taking up of entitlements under a rights issue, bonus issue, capitalisation issue or other offer made by the listed issuer to holders of its securities (including an offer of shares in lieu of a cash dividend) but, for the avoidance of doubt, applying for excess shares in a rights issue or applying for shares in excess of an assured allotment in an open offer is a "dealing";
 - (b) allowing entitlements to lapse under a rights issue or other offer made by the issuer to holders of its securities (including an offer of shares in lieu of a cash dividend);
 - (c) undertakings to accept, or the acceptance of, a general offer for shares in the issuer made to shareholders other than those that are concert parties (as defined under the Takeovers Code) of the offeror;

- (d) exercise of share options or warrants or acceptance of an offer for shares pursuant to an agreement entered into with an issuer before a period during which dealing is prohibited under the required standard of dealings at the pre-determined exercise price, being a fixed monetary amount determined at the time of grant of the share option or warrant or acceptance of an offer for shares;
- (e) an acquisition of qualification shares where, under the issuer's constitutional documents, the final date for acquiring such shares falls within a period when dealing is prohibited under the required standard of dealings and such shares cannot be acquired at another time;
- (f) dealing where the beneficial interest or interests in the relevant security of the listed issuer do not change;
- (g) dealing where a shareholder places out his existing shares in a "top-up" placing where the number of new shares subscribed by him pursuant to an irrevocable, binding obligation equals the number of existing shares placed out and the subscription price (after expenses) is the same as the price at which the existing shares were placed out; and
- (h) dealing where the beneficial ownership is transferred from another party by operation of law.

5.53 For the purpose of the required standard of dealings, the grant to a director of an option to subscribe or purchase his company's securities shall be regarded as a dealing by him, if the price at which such option may be exercised is fixed at the time of such grant. If, however, an option is granted to a director on terms whereby the price at which such option may be exercised is to be fixed at the time of exercise, the dealing is to be regarded as taking place at the time of exercise.

Absolute prohibitions

5.54 A director must not deal in any of the securities of the issuer at any time when he possesses inside information in relation to those securities, or where clearance to deal is not otherwise conferred upon him under rule 5.61.

5.55 A director must not deal in the securities of an issuer listed on GEM or the Main Board when by virtue of his position as a director of another issuer, he possesses inside information in relation to those securities.

- 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:
- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results 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,

unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in rule 5.67. In any event, the director must comply with the procedure in rules 5.61 and 5.62.

- (b) The listed issuer must notify the Exchange in advance of the commencement of each period during which directors are not allowed to deal under rule 5.56(a).

Note: Directors should note that the period during which they are not allowed to deal under rule 5.56 will cover any period of delay in the publication of a results announcement.

- 5.57 Where a director is a sole trustee, the required standard of dealings will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee and neither he nor any of his close associates is a beneficiary of the trust, in which case the required standard of dealings will not apply).
- 5.58 When a director deals in the securities of an issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his close associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.
- 5.59 The required standard of dealings will be regarded as equally applicable to any dealings by the director's spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the Securities and Futures Ordinance he is or is to be treated as interested. It is the duty of the director, therefore, to seek to avoid any such dealing at a time when he himself is not free to deal.
- 5.60 When a director places investment funds comprising securities of the issuer under professional management, discretionary or otherwise, the managers must nonetheless be made subject to the same restrictions and procedures as the director himself in respect of any proposed dealings in the issuer's securities.

Notification

- 5.61 A director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (other than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (other than himself) designated by the board for the purpose and receive a dated written acknowledgement before any such dealing. The designated director must not deal in any securities of the issuer without first notifying the chairman and receiving a dated written acknowledgement. In each case,
 - (1) a response to a request for clearance to deal must be given to the relevant director within five business days of the request being made; and
 - (2) the clearance to deal in accordance with (1) above must be valid for no longer than five business days of clearance being received.

Note: For the avoidance of doubt, the restriction under rule 5.54 applies if inside information develops following the grant of clearance.

- 5.62 The procedure established within the issuer must, as a minimum, provide for there to be a written record maintained by the issuer that the appropriate notification was given and acknowledged pursuant to rule 5.61, and for the director concerned to have received written confirmation to that effect.

- 5.63 Any director of the issuer who acts as trustee of a trust must ensure that his co-trustees are aware of the identity of any company of which he is a director so as to enable them to anticipate possible difficulties. A director having funds under management must likewise advise the investment manager.
- 5.64 Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of the issuer must endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify the issuer. For this purpose, he must ensure that the trustees are aware of the issuers of which he is a director.
- 5.65 The register maintained in accordance with section 352 of the Securities and Futures Ordinance should be made available for inspection at every meeting of the board.
- 5.66 The directors of the issuer must as a board and individually endeavour to ensure that any employee of the issuer or director or employee of a subsidiary company who, because of his office or employment in the company or a subsidiary, is likely to possess inside information in relation to the securities of any issuer on GEM or the Main Board does not deal in those securities when he would be prohibited from dealing by the required standard of dealings if he were a director.

Exceptional circumstances

- 5.67 If a director proposes to sell or otherwise dispose of securities of the issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under the required standard of dealings, the director must, in addition to complying with the other provisions of the required standard of dealings, comply with rule 5.61 regarding prior written notice and acknowledgement. The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The issuer shall give written notice of such sale or disposal to the Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The issuer shall publish an announcement immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director. An example of the type of circumstances which may be considered exceptional for such purposes would be a pressing financial commitment on the part of the director that cannot otherwise be satisfied.

Disclosure

- 5.68 In relation to securities transactions by directors, an issuer shall disclose in its half-year reports (and summary half-year reports, if any) and the Corporate Governance report contained in its annual reports (and summary financial reports, if any):
- (1) whether the issuer has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings;
 - (2) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard of dealings and its code of conduct regarding securities transactions by directors; and
 - (3) in the event of any non-compliance with the required standard of dealings, details of such non-compliance and an explanation of the remedial steps taken by the issuer to address such non-compliance.

Chapter 6

[Repealed 1 January 2007]

Chapter 6A

SPONSORS AND COMPLIANCE ADVISERS

Definitions and interpretation

6A.01 In this Chapter:

- (1) “Compliance Adviser” means any corporation or authorised financial institution licensed or registered under the Securities and Futures Ordinance for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a Sponsor and, as applicable, which is appointed under rule 6A.19 or rule 6A.20 to undertake work as a Compliance Adviser;
- (2) “expert” includes every accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him;
- (3) “expert section” means, in relation to the listing document, any part of the listing document purporting to be made on the authority of an expert or purporting to be a copy of or extract from a report, opinion, statement or valuation of an expert where the expert gives consent for the inclusion in the listing document of the copy or extract and the listing document includes a statement that he has given and has not withdrawn such consent;

Note: Retaining an expert to advise or assist a new applicant or Sponsor on any non-expert section of the listing document does of itself not make such section an expert section.

- (4) “Fixed Period” means the period for which a listed issuer must retain a Compliance Adviser under rule 6A.19;
- (5) “initial application for listing”, “initial listing” and “initial public offering” include deemed new listings of equity securities under rule 19.54;
- (6) “listed issuer” for the purposes of this Chapter, has the same meaning as in rule 1.01 but excludes an issuer of debt securities only;
- (7) “new applicant” for the purposes of this Chapter, has the same meaning as in rule 1.01, modified for the purpose of this Chapter 6A to:
 - (a) include issuers who undergo a deemed listing of equity securities under rule 19.54; and
 - (b) exclude applicants seeking listing of debt securities only;
- (8) “non-expert sections” means, in relation to the listing document, any part of the listing document that is not part of any expert section;
- (9) “Sponsor group” means:
 - (a) a Sponsor;
 - (b) its holding company;

- (c) any subsidiary of its holding company;
 - (d) any controlling shareholder of:
 - (i) the Sponsor; or
 - (ii) its holding company; and
 - (e) any close associate of any controlling shareholder referred to in paragraph (d) above; and
- (10) “ultimate holding company” means a holding company that itself does not have a holding company.

Appointment of a Sponsor

6A.02 A new applicant must appoint a Sponsor under a written engagement agreement to assist it with its initial application for listing.

6A.02A (1) A Sponsor, once appointed, must notify the Exchange in writing of its appointment as soon as practicable, regardless of whether a listing application has been submitted.

Note: As a means of notification, a Sponsor must provide a copy of its engagement letter to the Exchange as soon as it is formally appointed.

- (2) If a Sponsor ceases to act for a new applicant at any time after its appointment (regardless of whether a listing application has been submitted), the Sponsor must inform the Exchange in writing, as soon as practicable, of its reasons for ceasing to act.

6A.02B (1) A listing application must not be submitted by or on behalf of a new applicant less than 2 months from the date of the Sponsor’s formal appointment.

- (2) Where more than one Sponsor is appointed in respect of a listing application, the listing application can only be submitted not less than 2 months from the date the last Sponsor is formally appointed.

Sponsor’s undertaking and statement of independence to the Exchange

6A.03 Each Sponsor must give an undertaking and statement of independence to the Exchange as set out in Appendix 7K at the same time when an application on behalf of a new applicant is submitted to the Exchange.

(1) [Repealed 1 October 2013]

(2) [Repealed 1 October 2013]

6A.04 [Repealed 1 October 2013]

Obligations of a new applicant and its directors to assist the Sponsor

6A.05 A new applicant and its directors must assist the Sponsor to perform its role and must ensure that its substantial shareholders and associates also assist the Sponsor. To facilitate the Sponsor to meet its obligations and responsibilities under the GEM Listing Rules and the Code of Conduct, the written engagement agreement referred to in rule 6A.02 must contain at least the following obligations for the applicant and its directors:

- (1) to fully assist the Sponsor to perform its due diligence work;

- (2) to procure all relevant parties engaged by the new applicant in connection with its listing application (including financial advisers, experts and other third parties) to cooperate fully with the Sponsor to facilitate the Sponsor's performance of its duties;
- (3) to give each Sponsor every assistance, to meet its obligations and responsibilities under the GEM Listing Rules and the Code of Conduct to provide information to the regulators including without limitation, notifying the regulators of reasons when the Sponsor ceases to act;
- (4) to enable the Sponsor to gain access to all relevant records in connection with the listing application. In particular, terms of engagement with experts retained to perform services related to the listing application, whether or not retained in respect of an expert section, should contain clauses entitling every Sponsor appointed by the new applicant access to:
 - (a) any such expert;
 - (b) the expert's reports, draft reports (both written and oral), and terms of engagement;
 - (c) information provided to or relied on by the expert;
 - (d) information provided by the expert to the Exchange or Commission; and
 - (e) all correspondence exchanged (i) between the new applicant or its agents and the expert; and (ii) between the expert and the Exchange or Commission;

Note: The Exchange expects that access to documents for the purposes of this rule would include the right to take copies of the documents without charge.
- (5) to keep the Sponsor informed of any material change to:
 - (a) any information previously given to the Sponsor under paragraph (3) above; and
 - (b) any information previously accessed by the Sponsor under paragraph (4) above;
- (6) to provide to or procure for the Sponsor all necessary consents to the provision of the information referred to in paragraphs (1) to (5) above to the Sponsor; and
- (7) to procure the entering into of such supplements to the engagement letters with experts referred to in rule 6A.05(4) as is necessary for such engagements of experts to comply with that rule.

Impartiality and independence of Sponsors

6A.06 A Sponsor must perform its duties with impartiality.

6A.07 At least one Sponsor of a new applicant must be independent of it. The Sponsor is required to demonstrate to the Exchange its independence or lack of independence and declare in accordance with the terms set out in Appendix 7K.

A Sponsor is not independent if any of the following circumstances exist at any time from the date of submission of an application for listing on Form 5A up to the date of listing:-

- (1) the Sponsor group and any director or close associate of a director of the Sponsor collectively holds or will hold, directly or indirectly, more than 5% of the number of issued shares of the new applicant, except where that holding arises as a result of an underwriting obligation;

- (2) the fair value of the direct or indirect current or prospective shareholding of the Sponsor group in the new applicant exceeds or will exceed 15% of the net equity shown in the latest consolidated financial statements of the Sponsor's ultimate holding company or, where there is no ultimate holding company, the Sponsor;
- (3) any member of the Sponsor group or any director or close associate of a director of the Sponsor is a close associate or core connected person of the new applicant;
- (3A) the Sponsor is a connected person of the new applicant;
- (4) 15% or more of the proceeds raised from the initial public offering of the new applicant are to be applied directly or indirectly to settle debts due to the Sponsor group, except where those debts are on account of fees payable to the Sponsor group under its engagement for sponsorship services;
- (5) the aggregate of:
 - (a) amounts due to the Sponsor group from the new applicant and its subsidiaries; and
 - (b) all guarantees given by the Sponsor group on behalf of the new applicant and its subsidiaries,
 exceeds 30% of the total assets of the new applicant;
- (6) the aggregate of:
 - (a) amounts due to the Sponsor group from:
 - (i) the new applicant;
 - (ii) its subsidiaries;
 - (iii) its controlling shareholder; and
 - (iv) any close associates of its controlling shareholder; and
 - (b) all guarantees given by the Sponsor group on behalf of:
 - (i) the new applicant;
 - (ii) its subsidiaries;
 - (iii) its controlling shareholder; and
 - (iv) any close associates of its controlling shareholder,
 exceeds 10% of the total assets shown in the latest consolidated financial statements of the Sponsor's ultimate holding company or, where there is no ultimate holding company, the Sponsor;
- (7) the fair value of the direct or indirect shareholding of:
 - (a) a director of the Sponsor;
 - (b) a director of its holding company;

- (c) a close associate of a director of the Sponsor; or
- (d) a close associate of a director of its holding company

in the new applicant exceeds HKD 5 million;

- (8) an employee or director of the Sponsor who is directly engaged in providing the sponsorship services to the new applicant, or his close associate, holds or will hold shares in the new applicant or has or will have a beneficial interest in shares in it;
- (9) any of the following has a current business relationship with the new applicant or a director, subsidiary, holding company or substantial shareholder of the new applicant, which would be reasonably considered to affect the Sponsor's independence in performing its duties as set out in this Chapter, or might reasonably give rise to a perception that the Sponsor's independence would be so affected, except where that relationship arises under the Sponsor's engagement to provide sponsorship services:
 - (a) any member of the Sponsor group;
 - (b) an employee of the Sponsor who is directly engaged in providing the sponsorship services to the new applicant;
 - (c) a close associate of an employee of the Sponsor who is directly engaged in providing the sponsorship services to the new applicant;
 - (d) a director of any member of the Sponsor group; or
 - (e) a close associate of a director of any member of the Sponsor group;
- (10) the Sponsor or a member of the Sponsor group is the auditor or reporting accountant of the new applicant.

Notes: 1. In addition to being a breach of the GEM Listing Rules, if it comes to the Exchange's attention that a Sponsor is not independent but is required to be (for example, where the Sponsor is the sole Sponsor appointed), the Exchange will not accept documents produced by that Sponsor in support of the subject application for listing or a request for approval or vetting of any document required under the GEM Listing Rules in relation to the subject listing application.

2. Sub-paragraphs (1) to (3) will not apply where the circumstance occurs because of an interest:

- (a) held by an investment entity on behalf of its discretionary clients;*
- (b) held by a fund manager on a non-discretionary basis such as a managed account or managed fund;*
- (c) held in a market-making capacity; or*
- (d) held in a custodial capacity.*

3. *In calculating the percentage figure of shares that it holds, or will hold, for the purposes of this rule, a Sponsor group is not required to include an interest in shares that would be disregarded for the purposes of Divisions 2 to 4 of Part XV of the Securities and Futures Ordinance under section 323 of that Ordinance.*
4. *For the purposes of this rule, references to a “new applicant” include references to the new applicant once it is listed, that is, the newly listed issuer, as applicable.*

6A.08 [Repealed 1 October 2013]

6A.09 Where a Sponsor or the new applicant becomes aware of a change in the circumstances set out in the Sponsor’s undertaking and statement of independence in Appendix 7K during the period the Sponsor is engaged by the new applicant, the Sponsor and the new applicant must notify the Exchange as soon as possible upon that change occurring.

Additional Sponsors

6A.10 Where a new applicant has more than one Sponsor:

- (1) the Exchange must be advised as to which of the Sponsors is designated as the Sponsor who would be the primary channel of communication with the Exchange concerning matters involving the listing application;
- (2) the listing document must disclose whether each Sponsor satisfies the independence test at rule 6A.07 and, if not, how the lack of independence arises; and
- (3) each of the Sponsors has responsibility for ensuring that the obligations and responsibilities in this Chapter are fully discharged.

Note: The Exchange would normally expect the Sponsor acting as the primary channel of information to be independent from the new applicant.

Sponsor’s role

6A.11 A Sponsor must:

- (1) be closely involved in the preparation of the new applicant’s listing documents;
- (2) conduct reasonable due diligence inquiries to put itself in a position to be able to make the declaration in rule 6A.13 and Appendix 7G;
- (3) ensure the requirements in rules 12.07, 12.09, 12.10 and 12.12 to 12.15 are complied with;
- (4) use reasonable endeavours to address all matters raised by the Exchange in connection with the listing application including providing to the Exchange, in a timely manner, such information as the Exchange may reasonably require for the purpose of verifying whether the GEM Listing Rules are being or have been complied with by the Sponsor, the new applicant and the new applicant’s directors;
- (5) accompany the new applicant to any meetings with the Exchange unless otherwise requested by the Exchange, and attend any other meetings and participate in any other discussions with the Exchange as requested by the Exchange; and

- (6) comply with the terms of the undertaking and statement of independence given to the Exchange by the Sponsor under rule 6A.03 and Appendix 7K.

6A.12 In determining the reasonable due diligence inquiries a Sponsor must make for the purposes of rule 6A.11(2), a Sponsor must have regard to the due diligence practice note at Practice Note 2 and the SFC Sponsor Provisions.

Sponsor's declaration

6A.13 As soon as practicable after the Listing Division's hearing of the new applicant's listing application but on or before the date of issue of the listing document, each Sponsor must submit to the Exchange the declaration set out in Appendix 7G.

6A.14 [Repealed 1 October 2013]

6A.15 [Repealed 1 October 2013]

6A.16 [Repealed 1 October 2013]

Termination of a Sponsor's role

6A.17 In the case of resignation by, or termination of, the Sponsor during the processing of the initial listing application:

- (1) the new applicant must immediately notify the Exchange of the resignation or termination and the Sponsor must notify the Exchange of its resignation or termination together with reasons in accordance with rule 6A.02A(2); and
- (2) if the departing Sponsor was the sole independent Sponsor, the replacement Sponsor must notify the Exchange of its appointment in accordance with rule 6A.02A(1) and re-submit, on behalf of the new applicant, a listing application not less than 2 months from the date of its formal appointment detailing a revised timetable together with a further initial listing fee in accordance with Chapter 12 and the declaration and undertaking required by this Chapter.

Note: Any initial listing fee already paid will, in such circumstances, be forfeited.

6A.18 For the avoidance of doubt, a replacement Sponsor shall not be regarded as having satisfied any of the obligations of a Sponsor by virtue of work performed by a predecessor Sponsor.

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 second full financial year commencing after the date of its initial listing.

6A.20 At any time after the Fixed Period, the Exchange may direct a listed issuer to appoint a Compliance Adviser for such period and to undertake such role as may be specified by the Exchange. In the event of such an appointment the Exchange will specify the circumstances in which the listed issuer must consult the Compliance Adviser and the responsibilities the Compliance Adviser must discharge. The Compliance Adviser must discharge those responsibilities with due care and skill. For the purpose of this rule, a listed issuer may appoint a different Compliance Adviser to that it appointed under rule 6A.19.

Note: The Exchange will normally consider directing the appointment of a Compliance Adviser when a listed issuer has been held to have breached the GEM Listing Rules, particularly when the breaches are persistent or serious or give rise to concerns about the adequacy of compliance arrangements or the directors' understanding of, and their obligations to comply with the GEM Listing Rules. It is also open to the Exchange to direct the appointment in other appropriate circumstances. It is the responsibility of the listed issuer to pay the reasonable fees of the Compliance Adviser.

Compliance Adviser's undertaking to the Exchange

6A.21 Each Compliance Adviser must give an undertaking to the Exchange in the terms set out in rule 6A.22 below and in the form in Form M of Appendix 7. Compliance Advisers must give the undertaking no later than the earlier of:

- (1) immediately the Compliance Adviser agrees its terms of engagement with the listed issuer; and
- (2) the Compliance Adviser commencing work for the listed issuer.

6A.22 Each Compliance Adviser must undertake to:

- (1) comply with the GEM Listing Rules applicable to Compliance Advisers; and
- (2) cooperate in any investigation conducted by the Listing Division and/or the GEM Listing Committee of the Exchange, including answering promptly and openly any questions addressed to the Compliance Adviser, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which the Compliance Adviser is requested to appear.

6A.23 During the Fixed Period, a listed issuer must consult with and, if necessary, seek advice from its Compliance Adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where the listed issuer proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of the listed issuer deviate from any forecast, estimate, or other information in the listing document; and
- (4) where the Exchange makes an inquiry of the listed issuer under rule 17.11.

6A.24 When a Compliance Adviser is consulted by a listed issuer in the circumstances set out in rule 6A.23 above it must discharge the following responsibilities with due care and skill:

- (1) ensure the listed issuer is properly guided and advised as to compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines;
- (2) accompany the listed issuer to any meetings with the Exchange, unless otherwise requested by the Exchange;
- (3) no less frequently than at the time of reviewing the financial reporting of the listed issuer under rule 6A.23(1) above and upon the listed issuer notifying the Compliance Adviser of a proposed change in the use of proceeds of the initial public offering under rule 6A.23(3) above, discuss with the listed issuer:
 - (a) the listed issuer's operating performance and financial condition by reference to the listed issuer's business objectives and use of issue proceeds as stated in its listing document;
 - (b) compliance with the terms and conditions of any waivers granted from the GEM Listing Rules;
 - (c) whether any profit forecast or estimate in the listing document will be or has been met by the listed issuer and advise the listed issuer to notify the Exchange and inform the public in a timely and appropriate manner; and
 - (d) compliance with any undertakings provided by the listed issuer and its directors at the time of listing, and, in the event of non-compliance, discuss the issue with the listed issuer's board of directors and make recommendations to the board regarding appropriate remedial steps;
- (4) if required by the Exchange, deal with the Exchange in respect of any or all matters listed in rule 6A.23;
- (5) in relation to an application by the listed issuer for a waiver from any of the requirements in Chapter 20, advise the listed issuer on its obligations and in particular the requirement to appoint an independent financial adviser; and
- (6) assess the understanding of all new appointees to the board of the listed issuer regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the Compliance Adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the board and make recommendations to the board regarding appropriate remedial steps such as training.

Impartiality of Compliance Advisers

6A.25 A Compliance Adviser must perform its duties with impartiality.

Termination of a Compliance Adviser's role

6A.26 A listed issuer may terminate a Compliance Adviser's role only if the Compliance Adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable by the listed issuer to the Compliance Adviser.

6A.27 In the case of resignation by, or termination of, a Compliance Adviser, a replacement Compliance Adviser must be appointed by the listed issuer within three months of the effective date of resignation or termination (as the case may be).

Application of other rules

6A.28 Insofar as the GEM Listing Rules impose a higher standard of conduct on Sponsors or Compliance Advisers than that set out in the Commission's Corporate Finance Adviser Code of Conduct, the Code of Conduct, the Takeovers Code, the Share Buy-backs Code and all other relevant codes and guidelines applicable to them, the GEM Listing Rules will prevail.

- Notes:*
1. *The Exchange notes that paragraph 4.4 of the Corporate Finance Adviser Code of Conduct requires that all requirements applicable to Sponsors as set out in the GEM Listing Rules be satisfied.*
 2. *The Exchange also reminds Sponsors and Compliance Advisers of their other statutory obligations including but not limited to those under the Securities and Futures Ordinance.*

Miscellaneous

6A.29 If a Compliance Adviser resigns or its engagement is terminated, a listed issuer must, as soon as practicable, publish an announcement, in accordance with Chapter 16, and make arrangements to replace the Compliance Adviser under rule 6A.27. Immediately after a replacement Compliance Adviser has been appointed, the listed issuer must inform the Exchange and publish a further announcement.

Note: Refer to rules 6A.26 and 6A.27 regarding circumstances in which the termination or resignation of a Compliance Adviser is permitted.

6A.30 If the licence or registration of a Sponsor or a Compliance Adviser is revoked, suspended, varied or restricted such that it is no longer permitted to undertake work as a Sponsor or a Compliance Adviser, respectively, the Sponsor or Compliance Adviser, as applicable, must immediately inform each of the issuers for which it acts as Sponsor or Compliance Adviser.

6A.31 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 complete and submit to the Exchange, at the time of submitting the application for listing (passing a copy to the new applicant or listed issuer) a declaration in the prescribed form set out in Appendix 7H, giving details of all interests it, its directors and employees and its close associates have in relation to the issuer and that listing or transaction.

Notes: 1 For these purposes, the Compliance Adviser (or other adviser appointed under rule 6A.37) must provide 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, the Compliance Adviser (or other adviser appointed under rule 6A.37) would be expected to disclose full and accurate details of:–

- (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.*

6A.32 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 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 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 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, submit to the Exchange a declaration in the form set out in Appendix 7J confirming 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) the Compliance Adviser has 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 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.

Note: Such declaration must, save in exceptional circumstances, be signed on behalf of the Compliance Adviser by the Principal/s who has/have been most actively involved in the work undertaken by the Compliance Adviser and will be treated by the Exchange as an acknowledgement of his/their personal active involvement in the matter.

6A.36 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 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).

6A.38 [Repealed 1 October 2013]

Chapter 7

GENERAL

ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

When required

- 7.01 This Chapter sets out the detailed requirements for accountants' reports on the profits and losses, assets and liabilities of, and other financial information on, an issuer and/or a business or company, to be acquired or disposed of (as the case may be) by an issuer for inclusion in listing documents or circulars. Accountants' reports are required to be included in the following listing documents and circulars:—
- (1) a listing document issued by a new applicant, but subject to rule 14.11(6) relating to a listing document supporting an introduction;
 - (2) a listing document issued by a listed issuer in connection with an offer of securities to the public for subscription or purchase which is required by either section 38(1) or section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to set out the reports specified in Part II of the Third Schedule to that Ordinance; and
 - (3) a circular issued in connection with a major transaction, a very substantial acquisition or a reverse takeover (see rules 19.67 and 19.69) unless the company being acquired is itself a company listed on GEM or the Main Board.

Note: By virtue of rules 11.11 and 27.07, the accountants' report required to be included in the listing document of a new applicant must cover the requisite financial period ending not more than 6 months before the date of the listing document.

Reporting accountants

- 7.02 All accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants, provided that, in the case of a circular issued by a listed company in connection with the acquisition of an overseas company, the Exchange may be prepared to permit the accountants' report to be prepared by a firm of practising accountants which is not so qualified but which is acceptable to the Exchange. Such a firm must normally have an international name and reputation and be a member of a recognised body of accountants.

Basic contents of accountants' report for a listing document

- 7.03 In the case of a new applicant (rule 7.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 7.01(2), the accountants' report must include:—

History of results

- (1) the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries covering:
 - (a) at least the 2 financial years immediately preceding the issue of the listing document;

Note: For general guidance, where the issuer has a longer operating history of more than two years, the Exchange would encourage voluntary disclosure of three years of financial results in the accountants' report.

- (b) [Repealed 1 July 2008]; or
 - (c) such shorter period as may be acceptable to the Exchange (see rule 11.14);
- (2) the results of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in (1) above) in respect of each of the 2 financial years referred to in (1) above (or in respect of the period since commencement of such business or the incorporation or establishment of such subsidiary, as the case may be, if this occurred within such 2 year period).

Statement of financial position

- (3) (a) the statement of financial position of the issuer and, if the issuer is itself a holding company, the consolidated statement of financial position of the issuer and its subsidiaries in each case as at the end of each of the two financial years to which the latest audited financial statements of the issuer have been made up except that if the listing document is not required by either section 38(1) or section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to set out the reports specified in Part II of the Third Schedule of that Ordinance and the issuer is itself a holding company then the accountants' report need only include the consolidated statement of financial position of the issuer and its subsidiaries;
- (b) in the case of banking companies, the statement of financial position as at the end of each of the two financial years prepared in accordance with rule 7.03(3)(a) must include information on the assets and liabilities set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;
- (4) (a) the statement of financial position of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in (3) above) in each case as at the end of each of the two financial years to which the latest audited financial statements of such business or subsidiary (as the case may be) have been made up;
- (b) in the case of banking companies, the statement of financial position as at the end of each of the two financial years prepared in accordance with rule 7.03(4)(a) must include information on the assets and liabilities set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

Cash flow statement

- (4A) the cash flow statement of the issuer or, if the issuer is itself a holding company, the consolidated cash flow statement of the issuer and its subsidiaries in each case for each of the two financial years to which the latest audited financial statements of the issuer have been made up;

Statement of changes in equity

- (4B) a statement of changes in equity of the issuer for each of the two financial years to which the latest audited financial statements of the issuer have been made up;
- (4C) [Repealed 31 December 2015]

Other

- (5) the earnings per share and the basis of computation in respect of each of the years referred to in (1) and (2) above except that the accountants' report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants' report or if combined results are presented in accordance with rule 7.09 or if the accountants' report relates to an issue of debt securities;
- (6) all movements to and from any reserves including movements arising from:—
- (a) consolidation or acquisition (i.e. the write-off of goodwill/establishment of a capital reserve);
 - (b) the revaluation of assets;
 - (c) the translation of financial statements denominated in foreign currencies; or
 - (d) the redemption or repurchase of shares of the issuer,
- if those movements are not reflected in the results in respect of each of the years referred to in (1) and (2) above;
- (7) a statement of the indebtedness as at the end of each of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the issuer (or of the issuer and its subsidiaries, including any company which will become a subsidiary by reason of any acquisition falling within rules 7.03(2) and (4)), the aggregate amounts repayable:—
- (a) on demand or within a period not exceeding 1 year;
 - (b) within a period of more than 1 year but not exceeding 2 years;
 - (c) within a period of more than 2 years but not exceeding 5 years; and
 - (d) within a period of more than 5 years;
- (8) the details of the principal accounting policies which have been applied in respect of the period reported on;
- (9) a statement of any significant subsequent events which have occurred to any business or company or within any group covered by the accountants' report since the end of the period reported on or, if there are no such events, a statement of that fact; and
- (10) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

Note: Where a new applicant satisfies the conditions set out in rule 11.14, references to "the two financial years" or "the financial year" in rules 7.03(2) to 7.03(7) shall mean the period(s) described in rule 7.03(1)(c) (as the case may be).

Specific detail concerning financial information

7.04 The report on results and financial position under rules 7.03(1) to (4) above must include the disclosures required under the relevant accounting standards adopted and disclose separately at least the following information:—

- (1) Statement of profit or loss and other comprehensive income
 - (a) profit (or loss) on sale of properties;
 - (b) profit (or loss) before taxation, including the share of the profit (or loss) of associates and joint ventures, with separate disclosure of any items included therein which are exceptional because of size, nature and incidence; and
 - (c) taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation, with separate disclosure of the taxation on share of associates and joint ventures' profits;
- (2) Statement of financial position information as follows, if applicable:
 - (a) ageing analysis of accounts receivable; and
 - (b) ageing analysis of accounts payable;

Notes:

- 1 *If an issuer/ a company is itself a holding company, the information referred to rule 7.04(2) above is of the consolidated statement of financial position of the issuer/ the company and its subsidiaries.*
- 2 *The ageing analysis should normally be presented on the basis of the date of the relevant invoice or demand note and categorised into time-bands based on analysis used by an issuer's management to monitor the issuer's financial position. The basis on which the ageing analysis is presented should be disclosed.*

- (3) Dividends
 - (a) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby and any waivers of dividend except that the accountants' report need not disclose this information:—
 - (i) if combined results are presented in accordance with rule 7.09 and, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the report;
 - (ii) if the accountants' report relates to an issue of debt securities; or
 - (iii) in the case of a major transaction; and
 - (b) details of any special dividend proposed to be paid after the date of the accountants' report; and

- (4) 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 sub paragraph (1) and (2) above.

Additional disclosure of pre-acquisition financial information for a Listing Document

7.04A Where a new applicant acquires any material subsidiary or business during the trading record period (see rule 7.03 (1)(a)) and such an acquisition if made by a listed issuer would have been classified at the date of application as a major transaction (see rule 19.06(3)) or a very substantial acquisition (see rule 19.06(5)), it must disclose pre-acquisition financial information on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report.

Note: For the purpose of determining whether an acquisition is material and falls within the classification of a major transaction or a very substantial acquisition, reference shall be made to total assets, profits or revenue (as the case may be) of the acquired business or subsidiary and this shall be compared to the total assets, profits or revenue (as the case may be) of the new applicant as shown in the most recent financial year of the trading record period.

Basic contents of accountants' report for certain notifiable transaction circulars

7.05 In the cases referred to in rule 7.01(3) concerning a circular in connection with a reverse takeover, a very substantial acquisition or a major transaction on the acquisition of a business, company or companies, the accountants' report must include:—

Three year history of results

- (1) (a) the results, for the relevant period, of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up; provided always that where any company in question has not or will not become a subsidiary of the issuer, the Exchange may be prepared to relax this requirement;

Note: For the purposes of this rule, the "relevant period" comprises:

- (1) *in the case of a reverse takeover, each of the three financial years of the business or company immediately preceding the issue of the circular and where applicable a stub period;*
- (2) *in the case of a very substantial acquisition or a major transaction, (i) each of the three financial years of the business or company immediately preceding the issue of the circular and where applicable a stub period; or (ii) if the audited financial statements of the business or company for the latest completed financial year has not been prepared at the time of the issue of the circular, each of the three financial years of the business or company immediately preceding the latest completed financial year and a stub period; or*

(3) *such shorter period as may be acceptable to the Exchange*

provided that the relevant period must have ended 6 months or less before the issue of the circular. If the business or company has been in existence for less than the period set out in (1) or (2) above (as the case may be), the relevant period commences on the commencement of the business or the incorporation or establishment of the company.

- (b) in the case of banking companies, the report on results prepared in accordance with rule 7.05(1)(a) must include the information on results set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

Three year statement of financial position

- (2) (a) the statement of financial position of the business which, or of the company (and, if that company is itself a holding company, the consolidated statement of financial position of the company and its subsidiaries) in whose share capital an interest has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up, in each case as at the end of each of the three financial years (or the end of each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited financial statements of such business or company (as the case may be) have been made up;
- (b) in the case of banking companies, the statement of financial position as at the end of each of the three financial years (or the end of each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) must include the information on the assets and liabilities set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

Three year cash flow statement

- (2A) the cash flow statement of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up, in each case for each of the three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited financial statements of such business or company (as the case may be) have been made up;

Three year statement of changes in equity

- (2B) a statement of changes in equity of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up, in each case for each of the three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited financial statements of such business or company (as the case may be) have been made up;

(2C) [Repealed 31 December 2015]

(3) all movements to and from any reserves including movements arising from:—

- (a) consolidation or acquisition (i.e. the write-off of goodwill/establishment of a capital reserve);
- (b) the revaluation of assets;
- (c) the translation of financial statements denominated in foreign currencies; or
- (d) the redemption or repurchase of shares of the issuer,

if those movements are not reflected in the results in respect of each of the financial years referred to in (1) above;

(4) a statement of the indebtedness as at the end of each of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the business or company or company and its subsidiaries covered by the accountants' report, the aggregate amounts repayable:—

- (a) on demand or within a period not exceeding 1 year;
- (b) within a period of more than 1 year but not exceeding 2 years;
- (c) within a period of more than 2 years but not exceeding 5 years; and
- (d) within a period of more than 5 years,

except that such an analysis of debt repayments need not be included in the case of a major transaction (see rule 19.67);

- (5) the details of the principal accounting policies which have been applied in respect of the period reported on;
- (6) a statement of any significant subsequent events which have occurred to any business or company or company and its subsidiaries covered by the accountants' report since the end of the period reported on or, if there are no such events, a statement of that fact; and
- (7) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

7.06 [Repealed 3 June 2010]

7.07 The report on results and financial position under rules 7.05(1) and (2) must disclose separately the information referred to in rule 7.04.

Requirements applicable in all cases

7.08 In all cases:—

- (1) the accountants' report must include a statement of:
 - (a) whether or not the financial statements for the period reported on have been audited and, if so, by whom; and
 - (b) whether or not any audited financial statements have been made up since the end of the last financial period reported on;
- (2) the reporting accountants must express an opinion as to whether or not the relevant information gives, for the purposes of the accountants' report, a true and fair view of the results and cash flows for the period reported on and of the statement of financial position as at the end of each of the period reported on;
- (3) the accountants' report must state that it has been prepared in accordance with the Auditing Guideline – Prospectuses and the reporting accountant (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants;
- (4) the reporting accountants must be named in the accountants' report; and
- (5) the accountants' report must be dated.

Individual or combined results

- 7.09 In the case of a new applicant (rule 7.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 7.01(2), the reporting accountants must report on the consolidated or combined financial history of results and the consolidated or combined statement of financial position of the issuer and its subsidiaries and any business or subsidiary acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up, unless otherwise agreed by the Exchange.
- 7.10 In the case of a circular issued by a listed issuer in connection with the acquisition of more than one business and/or company and/or group of companies, the reporting accountants must report on the individual financial histories of results and the individual statements of financial position of each of those businesses, companies or groups of companies referred to in rule 7.05, unless otherwise agreed by the Exchange.

Disclosure

- 7.11 The information to be disclosed in respect of rules 7.03, 7.09 and 7.10 must be in accordance with best practice which is at least that required to be disclosed in respect of those specific matters in the financial statements of a company under the HKFRS, IFRS or CASBE in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements and, in the case of banking companies, the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

Accounting standards

- 7.12 The financial history of results and the statement of financial position included in the accountants' report must normally be drawn up in conformity with:-
- (a) Hong Kong Financial Reporting Standards (HKFRS); or
 - (b) International Financial Reporting Standards (IFRS); or
 - (c) China Accounting Standards for Business Enterprises (CASBE) in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Note: The issuer must apply one of these bodies of standards consistently and shall not change from one body of standards to the other.

- 7.13 The financial history of results and the statement of financial position 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 Stock 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 Stock 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.
- 7.14 Except as provided in rule 7.13, a listing applicant must obtain the prior approval of the Exchange if it proposes that the accountants report should be drawn up otherwise than in conformity with either of the standards referred to in rule 7.12. 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 7.12.
- 7.15 Whilst the report for a PRC issuer must normally be drawn up in accordance with either of the standards referred to in rule 7.12, 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 7.12.
- 7.16 Without prejudice to the provisions of rules 7.14 and 7.15, any significant departure from either of the accounting standards referred to in rule 7.12 must be disclosed and explained and, to the extent practicable, the financial effects of such departure quantified.
- 7.17 The relevant standards will normally be those current in relation to the last financial year reported on and, wherever possible, appropriate adjustments must be made to show profits for all periods in accordance with such standards.

Statement of adjustments

- 7.18 In preparing the accountants' report, the reporting accountants must 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 must 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 7.18, 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 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

- 7.19 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 financial statements and must give the reasons therefor.
- 7.20 Where an accountants' report is set out in a listing document the statement of adjustments relating to that report must be submitted to the Exchange in the draft form prescribed in rules 12.22(3), 12.26B(2) and 28.13(7) and in certified form in accordance with rules 12.23A(2) 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

- 7.21 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 must 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

- 7.22 Where the reporting accountants qualify or modify their accountants' report, they must refer to all material matters about which they have reservations. All reasons for the qualification or modification must 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.
- 7.23 Where the accountants' report relates to a very substantial disposal or an acquisition which is a major transaction, very substantial acquisition or a reverse takeover and the report is expected to be qualified, the Exchange must be consulted at an early stage.

Additional matters for disclosure

- 7.24 Where the business of the issuer necessitates extra disclosure to the members in its annual financial statements by virtue of special legislation, the equivalent disclosure must be made in the report.

General

- 7.25 [Repealed 31 December 2015]
- 7.26 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 must 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.

Pro Forma Financial Information

- 7.27 In the cases referred to in rule 7.01(3) concerning a circular in connection with a major transaction, the pro forma financial information required under rules 19.67(6)(a)(ii) or 19.67(6)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable,

assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 7.31 in respect of such enlarged group.

- 7.28 In the cases referred to in rule 7.01(3) concerning a circular in connection with a reverse takeover or a very substantial acquisition, the pro forma financial information required under rules 19.69(4)(a)(ii) or 19.69(4)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 7.31 in respect of such enlarged group.
- 7.29 For a circular in connection with a very substantial disposal, the pro forma financial information required under rules 19.68(2)(a)(ii) or 19.68(2)(b)(ii) on the remaining group must include the information referred to in rule 7.31 in respect of the remaining group.
- 7.30 In the case of a new applicant (rule 7.01(1)) which has acquired or proposed to acquire any businesses or companies, which would at the date of application or such later date of acquisition before listing of the applicant be classified as a major subsidiary, since the date to which the latest audited financial statements of the issuer have been made up, it must include in its listing document the pro forma financial information required under rule 7.31 in respect of the enlarged group (i.e. the new applicant, its subsidiaries and any businesses or companies acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up).

Note: For purposes of rule 7.30, all acquisitions or proposed acquisitions since the date to which the latest audited financial statements in the accountants' report of the issuer have been made up, whether of businesses or companies, should be aggregated. If the aggregated total assets, profits or revenue represents 5% or more under any of the percentage ratios as defined under rule 19.04(9), these acquisitions will be deemed to be an acquisition of a major subsidiary for the purpose of rule 7.30. 100% of the major subsidiary's total assets, profits or revenue (as the case may be) or, where the major subsidiary itself has subsidiaries, the consolidated total assets, profits or revenue (as the case may be) of the major subsidiary is to be compared to the total assets, profits or revenue (as the case may be) shown in the issuer's latest audited consolidated financial statements in the accountants' report irrespective of the interest held in the major subsidiary.

- 7.31 Where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the GEM Listing Rules), that information must comply with rules 7.31(1) to (6) and a report in the terms of rule 7.31(7) must be included in the relevant document.
- (1) The pro forma financial information must provide investors with information about the impact of the transaction the subject of the document by illustrating how that transaction might have affected the financial information presented in the document, had the transaction been undertaken at the commencement of the period being reported on or, in the case of a pro forma statement of financial position or net asset statement, at the date reported. The pro forma financial information presented must not be misleading, must assist investors in analysing the future prospects of the issuer and must include all appropriate adjustments permitted by rule 7.31(6), of which the issuer is aware, necessary to give effect to the transaction as if the transaction had been undertaken at the commencement of the period being reported on or, in the case of a pro forma statement of financial position or net asset statement, at the date reported on.

- (2) The information must clearly state:
- (a) the purpose for which it has been prepared;
 - (b) that it is prepared for illustrative purposes only; and
 - (c) that because of its nature, it may not give a true picture of the issuer's financial position or results.
- (3) The information must be presented in columnar format showing separately the unadjusted financial information, the pro forma adjustments and the pro forma financial information. The pro forma financial information must be prepared in a manner consistent with both the format and accounting policies adopted by the issuer in its financial statements and must identify:
- (a) the basis upon which it is prepared; and
 - (b) the source of each item of information and adjustment.

Pro forma figures must be given no greater prominence in the document than audited figures.

- (4) Pro forma financial information may only be published in respect of:
- (a) the current financial period;
 - (b) the most recently completed financial period; and/or
 - (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document;

and, in the case of a pro forma statement of financial position or net asset statement, as at the date on which such periods end or ended.

- (5) The unadjusted information must be derived from the most recent:
- (a) audited published financial statements, published half-year reports or published half-year or annual results announcements;
 - (b) accountants' report;
 - (c) previously published pro forma financial information reported on in accordance with rule 7.31(7); or
 - (d) published profit forecast or estimate.
- (6) Any adjustments which are made to the information referred to in rule 7.31(5) in relation to any pro forma statement must be:
- (a) clearly shown and explained;
 - (b) directly attributable to the transaction concerned and not relating to future events or decisions;
 - (c) factually supportable; and

- (d) in respect of a pro forma profit or cash flow statement, clearly identified as to those adjustments which are expected to have a continuing effect on the issuer and those which are not.
- (7) The pro forma financial information must be reported on in the document by the auditors or reporting accountants who must report that, in their opinion:
 - (a) the pro forma financial information has been properly compiled on the basis stated;
 - (b) such basis is consistent with the accounting policies of the issuer; and
 - (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to rule 7.31(1).
- (8) Where pro forma earnings per share information is given for a transaction which includes the issue of securities, the calculation is to be based on the weighted average number of shares outstanding during the period, adjusted as if that issue had taken place at the beginning of the period.

Chapter 8

VALUATION OF AND INFORMATION ON PROPERTIES

Definitions

8.01 In this Chapter:-

- (1) “carrying amount” means, for an applicant, the amount at which an asset is recognised in the most recent audited consolidated balance sheet of the group as disclosed in the listing document after deducting any accumulated depreciation (amortisation) and accumulated impairment losses. For an issuer, the amount at which an asset is recognised in its latest published audited consolidated accounts or latest published interim report (whichever is more recent) after deducting any accumulated depreciation (amortisation) and accumulated impairment losses;

Note: If an acquisition is made after the latest consolidated audited accounts, the acquisition cost should be used.

- (2) “property activities” mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. It does not include holding of properties for own use;

Notes: 1 Any other property interest is classified as “non-property activities.”

2 The listing document date must be used as the timing reference point to categorise a property interest into property activity or non-property activity.

- (3) “property” means land and/or buildings (completed or construction in progress). Building includes fittings and fixtures. “Property interest” means an interest in the property;

Note: Fittings and fixtures include building services installation such as plumbing and pipes, electrical instalments, ventilation systems, escalators and improvements generally. Equipment and machinery used for production should be excluded.

A property interest may comprise:

- (1) one or more units in the same building or complex;*
- (2) one or more properties located at the same address or lot number;*
- (3) one or more properties comprising an integrated facility;*
- (4) one or more properties, structures or facilities comprising a property development project (even if there are different phases);*
- (5) one or more properties held for investment within one complex;*
- (6) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational/ business purposes; or*

(7) *a project or phases of development presented to the public as one whole project or forming a single operating entity.*

- (4) “total assets” means, for an applicant, the total fixed assets, including intangible assets, plus the total current and non-current assets, as shown in the latest audited consolidated financial statements in the accountants’ report in the listing document. For an issuer, total assets has the same meaning as in Chapter 19.

Requirements for an applicant

8.01A A listing document issued by an applicant must include valuations of and information on property interests:

- (1) that form part of its (or, for debt securities, the guarantor’s) property activities except for those with a carrying amount below 1% of its total assets. The total carrying amount of property interests not valued must not exceed 10% of its total assets; and
- (2) that do not form part of its (or, for debt securities, the guarantor’s) property activities if the carrying amount of a property interest is or is above 15% of its total assets.

8.01B The listing document must include:

- (1) for property interests of an applicant’s property activities:
 - (a) the full text of valuation reports of property interests that are required to be valued except where summary disclosure is allowed; and
 - (b) a summary disclosure if the market value of a property interest as determined by the valuer is less than 5% of its total property interests that are required to be valued under rule 8.01A(1). See Appendix 19 for the summary form of disclosure. The Exchange may accept variation of the summary form of disclosure based on the applicant’s circumstances. The valuation report setting out the information required by these Rules must be available for public inspection;

Note: The summary form of disclosure may be varied based on the applicant’s circumstances. An applicant must include additional information necessary for investors to make an informed decision.

- (2) for property interests of an applicant’s non-property activities:
 - (a) the full text of valuation reports if the carrying amount of a property interest is or is above 15% of its total assets; and
 - (b) a statement that, except for the property interests in the valuation reports, no single property interest that forms part of its non-property activities has a carrying amount of 15% or more of total assets;
- (3) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the listing document; and
- (4) the general information in rule 8.36, if it applies.

8.01C Rules 8.01A and 8.01B (except rules 8.01B(3) and 8.01B(4)) do not apply to property interests ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18A) if the listing document includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18A).

Note: Rules 8.01A(2) and 8.01B(2) to (4) apply to property interests ancillary to the exploration for and/or extraction of Natural Resources if the listing document does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

Requirements for an issuer

8.02 For an acquisition or disposal of any property interest, or of a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in rule 19.04(9)) of the transaction is or is above 25%, then a valuation of and information on the property must be included in the circular issued to shareholders in connection with the acquisition or disposal (see rule 19.66(12)), unless rule 8.02A applies.

Note: In this rule and in rule 8.03, a circular issued "in connection with an acquisition" includes a listing document issued for a rights issue, the proceeds of which are to be used to retire a debt with which the property or company had previously been acquired but the listing document need not contain a valuation report if a circular containing such a valuation report was issued to shareholders when the property or company was acquired.

8.02A Valuation of a property interest is not required if:

- (1) it is acquired from the Hong Kong Government (or, at the discretion of the Exchange, a body related to the Hong Kong Government) at a public auction or by sealed tender; or
- (2) the property is acquired under a Qualified Property Acquisition (as defined in rule 19.04(10C)) falling under rules 19.33A to 19.33B; or
- (3) the company being acquired or disposed of is listed on the Exchange, except if it is a connected transaction; or
- (4) subject to rule 8.03, the property interests in the company being acquired or disposed of is ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18A) and the circular includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18A); or

Note: Rule 8.02 applies to property interests ancillary to the exploration for and/or extraction of Natural Resources if the circular does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

- (5) subject to rule 8.03, the carrying amount of a property interest in the company being acquired or disposed of is below 1% of the issuer's total assets. The total carrying amount of property interests not valued must not exceed 10% of the issuer's total assets.

8.02B Subject to rule 8.03, the circular issued under rule 8.02 must include:

- (1) for a property interest, the full text of valuation reports;
- (2) for an unlisted company whose assets consist solely or mainly of property:
 - (a) the full text of valuation reports of property interests that are required to be valued under rule 8.02 except where summary disclosure is allowed; and
 - (b) summary disclosure if the value of a property interest as determined by the valuer is less than 5% of the total property interests that are required to be valued under rule 8.02. See Appendix 19 for the summary form of disclosure. The Exchange may accept variation of the summary form of disclosure based on the issuer's circumstances. The valuer's report setting out the information required by these Rules must be available for public inspection; and

Note: The summary form of disclosure may be varied based on the issuer's circumstances. An issuer must include additional information necessary for investors to make an informed decision.

- (c) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the circular;
- (3) for a company listed on the Exchange whose assets consist solely or mainly of property, an overview of property interests, including their number and approximate size range, uses, how they are held and the general description of the area where they are located; and
- (4) the general information in rule 8.36, if it applies.

8.03 For a connected transaction involving an acquisition or a disposal of any property interest or a company whose assets consist solely or mainly of property (including a company listed on the Exchange), a valuation of and information on the property must be included in any circular issued to shareholders in connection with the acquisition or disposal (see rule 20.68(7)). The circular must include full text of valuation reports and the general information in rule 8.36, if it applies.

8.03A [Repealed 1 January 2012]

Valuation report requirements

Basic contents

8.04 All valuation reports must contain all material details of the basis of valuation which, in the case of properties situated in Hong Kong, must follow The Hong Kong Institute of Surveyors ("HKIS") Valuation Standards on Properties published from time to time by the HKIS or the International Valuation Standards published from time to time by the International Valuation Standards Council .

8.05 All valuation reports should normally contain the following information:—

- (1) a description of each property including:—
 - (a) an address sufficient to identify the property, which should generally include 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) a brief description (e.g. whether land or building, approximate area, etc.);
 - (c) the existing use (e.g. shops, offices, factories, residential, etc.);
 - (d) the Ground/Government Rent;
 - (e) a summary of the terms of tenancies, leases or underleases (including repairing obligations, where material):—
 - (i) pursuant to which the issuer holds properties from the government or superior landlords; and/or
 - (ii) pursuant to which the issuer rents or leases properties to tenants or lessees;
 - (f) the approximate age of buildings;
 - (g) the terms of tenure;
 - (h) the terms of any intra-group lease granted by a parent company to a subsidiary on property occupied by the group (identifying the properties) (if any);
 - (i) the capital value in existing state at the effective date as at which the property was valued;
 - (j) the current planning or zoning use;
 - (k) the options or rights of pre-emption concerning or affecting the property (if any);
 - (l) the basis of and approach to valuation for the property interest;
 - (m) when the site was last inspected;
 - (n) summary of investigation carried out, including details of inspection, such as building conditions, availability of building services, etc.;
 - (o) nature and source of information relied on;
 - (p) details of title and ownership;
 - (q) details of encumbrances;
 - (r) how the properties are grouped together for each valuation certificate;
 - (s) names and qualifications of persons who carried out the site inspection; and
 - (t) any other matters which may materially affect the value;

- (2) without prejudice to the generality of sub-clause 1(e) above, where the property is rented or leased by the issuer to tenants or lessees, details of the rentals, including:—
- (a) the existing monthly rental before tax if the property is wholly or partly let together with the amount and a description of any outgoings or disbursements from the rent, and, if materially different, the estimated current monthly market rental obtainable, on the basis that the property was available to let on the effective date as at which the property was valued;
 - (b) a summary of any rent review provisions, where material; and
 - (c) the amount of vacant space, where material;
- (3) where the property is in the process of being developed, the following details in addition to those specified in sub-paragraph 1 above, where available:—
- (a) details of development potential and whether building plans have been approved or planning consent has been obtained and any conditions imposed in respect of such approval;
 - (b) any material restrictions on development including building covenants and time limits for completion of the development;
 - (c) existing stage of development;
 - (d) estimated completion date;
 - (e) estimated cost of carrying out the development or (where part of the development has already been carried out) the estimated cost of completing the development;
 - (f) estimated capital value after completion;
 - (g) any material special or general conditions affecting the development of the property;
 - (h) any conditions imposed as to construction of roadways, pathways, drainage, sewage and other facilities or services for public use, if material;
 - (i) any sales arrangements and/or letting arrangements existing at the effective date as at which the property was valued; and
 - (j) any construction costs incurred up to the effective date as at which the property was valued;
- (4) where property is held for future development purposes, the following details in addition to those specified in sub-paragraph 1 above, where available:—
- (a) details of development potential and whether building plans have been approved or planning consent has been obtained and any conditions imposed in respect of such approval;
 - (b) any material special or general conditions affecting the development of the property including building covenants and time limits for completion of the development; and

- (c) any conditions imposed as to construction of roadways, pathways, drainage, sewage and other facilities or services for public use, if material;
- (5) a classification of the property according to the purpose for which it is held. The acceptable categories are:—
 - (a) property held for development;
 - (b) property held for investment;
 - (c) property held for owner occupation; and
 - (d) property held for sale;
- (6) details of any agreement or proposals as to any proposed transaction regarding the property between the issuer and any other member of the group;
- (7) the name of the valuer, his address and professional qualification;
- (8) the effective date as at which the property was valued and the date of the valuation; and
- (9) such other information as the Exchange may require.

8.06 [Repealed 1 January 2012]

8.07 [Repealed 1 January 2012]

8.08 [Repealed 1 January 2012]

Disclosure of legal opinion to valuer

- 8.09 In all cases where a legal opinion is required under the GEM Listing Rules (or is otherwise obtained by the issuer) in connection with the title to a property, such opinion together, so far as practicable, with copies of any document referred to therein should be made available to the valuer carrying out any valuation in respect of the property, prior to the completion of the valuation report, and the valuer shall explain whether and if so how he has taken account of the content of such opinion in the valuation of the property.

Valuations of properties situated outside Hong Kong

Additional provisions

- 8.10 In the case of valuation reports in respect of properties situated outside Hong Kong, the Exchange reserves the right to impose additional or different conditions to those specified in rules 8.04 to 8.09.
- 8.11 Without prejudice to the generality of rule 8.10, rules 8.12 to 8.19 apply to properties situated in the PRC and rules 8.20 to 8.29 apply to properties situated outside Hong Kong (including those situated in the PRC).

Specific provisions with respect to PRC properties

- 8.12 The valuation report of property located in the PRC must clearly state the nature of the interest being valued. The report must also specify any material conditions or information regarding title and other relevant matters contained in the legal opinion relating to the property.

Note: In particular, the valuation report must clearly state whether the valuation is of a vested legal title or of a right to acquire a vested legal title to the relevant property or, for example, only right to occupy the property for a fixed period or to enjoy rent or other income arising from the property.

- 8.13 With respect to PRC properties:—

- (1) a long-term title certificate will be treated as the operative equivalent to the Hong Kong legal concept of vested title to the relevant property. The new applicant or listed issuer should confirm, with the benefit of a PRC legal opinion from a firm authorised by an appropriate authority in the PRC to advise in relation to listed companies, whether a long-term title certificate has been obtained by the relevant party in respect of the relevant property. The Exchange may require production of the title certificate and may require that it be made available for inspection; or

Note: For the purposes of this rule and the other relevant provisions of this Chapter, the Exchange has a discretion to decide on whether or not any title certificate constitutes a “long term” title certificate under this rule.

- (2) in respect of a grant of land by a government land administration bureau in the PRC or with respect to a transfer of land use rights where the issue of a title certificate is pending, a properly approved land grant or land transfer contract in writing accompanied by a PRC legal opinion (as described in sub-paragraph (1) above) as to the validity of the approval may, in the case only of a listed issuer, be acceptable as evidence of a transferee's pending title to the land to be granted or transferred. The Exchange may require production of the approved contract and may require that it be made available for inspection.

- 8.14 Where property located in the PRC is held or being acquired for development and where the residual method is used as the primary basis for the valuation (see rule 8.24), the relevant party should obtain an acceptable PRC legal opinion (as described in rule 8.13(1)) which describes all consents, permits and regulations which need to be obtained or satisfied in respect of the development, or proposed development upon which any valuation is based. Such opinion should confirm whether and to what extent consent has been obtained for the proposed development and all such information should be included in the valuation report and in the relevant document.

- 8.15 In respect of PRC properties where long-term title certificates are not obtained by a new applicant or a listed issuer, any property revaluation surplus arising from those PRC properties must be excluded from all annual reports, accounts and other financial statements of the issuer and from the net tangible asset statement in any listing document or circular of the issuer.

- 8.16 Where the consideration for the grant of any long-term title certificate involves any obligation on the issuer to resettle or pay compensation to any occupier or former occupier of property forming the subject of the certificate or to any other persons or any obligation to construct or pay the costs of construction of public facilities, the valuation report must disclose details of any such obligation, to the extent that the same remains outstanding, and indicate, where relevant, its effect on the value of and title to the property.

Note: If there is an outstanding obligation on the part of the issuer to transfer part of any property under development to the original occupier or other persons free of any payment, this matter must be disclosed and the valuer should confirm whether, in arriving at the value of the property, he has taken the same into account.

- 8.17 Except for companies with infrastructure projects accepted by the Exchange under rule 11.14(1) or otherwise, where the new applicant has interests in a joint venture company whose income stream is derived from a PRC property but the long-term title certificate for such property is not obtained by the joint venture company, no business valuation on the applicant's interests in the joint venture company may be included in the listing document.

Joint venture interests in PRC properties

- 8.18 In the case of PRC property held by any joint venture entity or pursuant to some other form of joint arrangement, the legal opinions referred to in rules 8.13 and 8.14 should include a description of the significant terms of the joint venture, including a description of the equity and profit sharing arrangements of the parties. In addition, the opinion should state whether the joint venture entity has obtained all necessary licences to operate in the location where the property is situated. A summary of the content of such opinion should also be disclosed in any valuation report and in the relevant document.

- 8.19 Where a new applicant or listed issuer has or is proposing to acquire an interest in a joint venture entity, which, in turn, has or is proposing to acquire an interest in a property situated in the PRC, and where the property is beneficially owned or retained by one of the parties to the joint venture and does not vest in the joint venture entity itself, and where the new applicant or listed issuer has or is intending to acquire some right to occupy the property from the relevant party to the joint venture or to enjoy income or profit therefrom, then the legal opinions referred to in rules 8.13 and 8.14 should also confirm:—

- (1) the exact nature of the interest in the joint venture entity which the new applicant or the listed issuer has or is proposing to acquire;
- (2) whether the terms of any joint venture agreement provide for the transfer of the legal title to the property to the joint venture entity and the status of such transfer;
- (3) whether the right which the new applicant or the listed issuer has or is intending to acquire is capable, as a matter of PRC law, of being granted by the party in whom legal title to the property is vested;
- (4) whether and to what extent the right acquired or to be acquired is enforceable in the PRC and whether it will be freely transferable by the new applicant or the listed issuer to any third party; and
- (5) whether all relevant regulatory approvals have been obtained.

Contents of valuation report

- 8.20 Where the relevant property has been valued on an open market basis, but such valuation is not by reference to comparable market transactions, the valuer may be required to discuss and disclose in the valuation report the assumptions underlying the open market valuation method in the context of the market in which the property is situated. Valuers may be asked to justify the assumptions they have made in the valuation report particularly where local market conditions or legal circumstances may differ greatly from those in Hong Kong.

8.21 Where the property the subject of the valuation report has been valued on an open market basis and by reference to the residual method, the valuation report should:

- (1) state this fact;
- (2) describe the valuation method used together with a brief description of that method in simple language;
- (3) provide a statement showing:—
 - (a) gross development value of the various components in the proposed development with an explanation of any comparables used and the adjustments made to arrive at the figure for gross development value;
 - (b) construction costs based on the report of a properly qualified quantity surveyor as referred to in rule 8.23;
 - (c) all fees charged or to be charged;
 - (d) interest charges;
 - (e) developer's profit; and
 - (f) any other component or comparable figure used in the residual method; and
- (4) describe the assumed development potential for the relevant property, including relevant plot ratios. Any approval or any indication from any competent authority which differs from the development potential or plot ratios assumed by the valuer should be set out in the valuation report. If no relevant approval has been obtained from a competent authority the valuer should state the source of and the basis of the assumptions used.

Income or profit method of valuation

8.22 Where relevant property (or part thereof) has been valued through use of the profit or income method of valuation, the valuation report should in addition state the assumptions upon which this method is based and whether there is any comparable market evidence, for example, in the case of a hotel, of room rates and occupancy levels in the same or similar location to the relevant property.

Valuation by residual method

8.23 Where the valuation figure is derived through use of the residual method, the new applicant and/or listed issuer should, in addition to obtaining the valuation report, instruct a professionally qualified quantity surveyor acceptable to the Exchange to verify the estimated costs of carrying out the development. The report of the quantity surveyor should be included together with the valuation report.

8.24 Where valuations are required under Chapter 8 of these Rules and where the primary method for valuing a property is the residual method, the Exchange may require the directors of the issuer or, in the case of a connected transaction, the independent directors, to include a statement in a prominent position in the relevant document with respect to the valuation of any property held for investment, development, future development and sale. In such statement the directors/the independent directors must :—

- (1) critically discuss and assess the assumptions made by the valuer as disclosed in the valuation report for the aforesaid categories of property and the material effect that any variation of those assumptions may have on the valuation figure;
- (2) critically discuss the effect of any material conditions affecting the status of the legal title to any such property as disclosed in any legal opinion obtained in respect of such property;
- (3) describe in the case of property in the process of being developed or held for future development, and where the valuation is based on the expected sale value of the completed development, the exact stage at which any proposed development has reached; and
- (4) describe all known relevant local taxes which may be charged in respect of any proposed property development project and explain how such taxes could affect the calculation of developer's profit contained in any calculation pursuant to the residual method, and the consequent effect on any valuation figure.

8.25 Where the residual method is used, the valuation report should include a general warning statement in substantially the following form:

"Warning statement"

The valuation arrived at has not been determined by reference to comparable market transactions which is the most reliable method for valuing property assets and the most common method used for valuing properties in Hong Kong. In contrast, because of the lack of comparable market transactions in the locality in which the subject property is situated, this valuation has used the residual method which is generally acknowledged as being a less reliable valuation method. The residual method is essentially a means of valuing land by reference to its development potential by deducting costs and developer's profit from its estimated completed development value. It relies upon a series of assumptions made by the valuer which produce an arithmetical calculation of the expected current sale value as at [date] of a property being developed or held for development or redevelopment. Where the property is located in a relatively under-developed market such as [place] those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised its professional judgement in arriving at the value, investors are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report."

Note: Where property assets represent or will represent substantially the whole or a majority of the assets of the new applicant or listed issuer and certain or all of those assets have been valued through use of the residual method, the warning statement set out in this rule must also appear or be referred to in the "Risk Factors" section of the relevant document.

Accountancy treatment

8.26 In all cases where a valuation report is required, the Exchange may also require the directors to describe the accounting treatment to be adopted in respect of any property assets situated outside Hong Kong.

Notifiable transactions

8.27 Where in any transaction which falls within rule 19.06, the relevant party intends to contribute capital or to contribute to or become liable for all or part of the cost of development of any property project or development, or to any company or venture involved in any development project, then the Exchange:

- (1) may require further disclosure of how such capital contribution or development costs have been derived;
- (2) may require an independent valuation report, even if such report is not expressly required under Chapter 8; and
- (3) may consider taking account of such capital or cost contributions when considering whether the transaction falls within any of the categories of notifiable transactions referred to in rule 19.06.

Connected transactions

8.28 In the case of connected transactions, where the valuer has relied upon information supplied by a connected person this should be clearly stated in the valuation report and the extent to which the valuer has independently verified this information should be set out prominently in the relevant document.

Date and cost of original acquisition

8.29 Where the property the subject of the valuation has been acquired within 5 years of the date of valuation, the new applicant or the listed issuer should supply to the valuer for inclusion in his report the relevant date and cost of acquisition and the total costs expended on the property, which should be included alongside the current valuation figure.

Effective date

8.30 The effective date as at which the property was valued must not be more than three months before the date on which the relative listing document or circular is issued and if such effective date is not the same as the end of the last period reported on by the reporting accountants (see Chapter 7), it will be necessary for the listing document or circular to include a statement reconciling the valuation figure with the figure included in the balance sheet as at the end of that period.

Independence of valuer

8.31 Unless dispensation is obtained from the Exchange, all valuations of properties must be prepared by an independent qualified valuer. (See rule 8.32 concerning qualifications). For this purpose, a valuer is not independent if:—

- (1) he is an officer or servant or proposed director of the issuer or the issuer's subsidiary or holding company or of a subsidiary of the issuer's holding company or any affiliated company; or
- (2) in the case of a firm or company of valuers, it is the issuer's subsidiary or holding company or a subsidiary of the issuer's holding company or any of its partners, directors or officers is an officer or servant or proposed director of the issuer or the issuer's subsidiary or holding company or of a subsidiary of the issuer's holding company or any affiliated company.

Qualifications of valuer

8.32 A valuer is a qualified valuer only if:—

- (1) for the purpose of valuing properties situated in Hong Kong, the valuer is a fellow or associate member of The Hong Kong Institute of Surveyors and carries on the business in Hong Kong of valuing properties and is authorised to do so by the rules of that body; and
- (2) for the purpose of valuing properties situated outside Hong Kong, the valuer has the appropriate professional qualifications and experience. This, he will normally be regarded as having if he is subject to the discipline of The Hong Kong Institute of Surveyors or The Royal Institution of Chartered Surveyors or a professional body of similar standing to such bodies and has a minimum of 2 years' experience in valuing properties in the relevant location or has relevant experience to the satisfaction of the Exchange.

8.33 The professional qualifications of the valuer and, where properties situated outside Hong Kong have been valued, his experience in valuing properties within the relevant location (and, where the valuation is made on behalf of a valuation company, his experience with the company) should be disclosed in the valuation report.

Other valuation reports

8.34 If the issuer has obtained more than one valuation report regarding any of the issuer's properties referred to in the listing document or circular within three months before the issue of the listing document or circular, then all other such reports must be included.

Exchange rates

8.35 Where any figures or calculations included in the valuation report rely on exchange rates, the rate used and relevant date should be stated. Where there has been a fluctuation in exchange rates between the date of the valuation and the date of the listing document or circular to shareholders, this fact together with the effect of the fluctuation on the valuation in the valuation report should be set out.

General disclosure

8.36 A listing document, or a circular issued under rules 8.02 and 8.03, must disclose relevant information on material properties (including leased properties).

Notes: Information may include the following:

- (1) *a general description of where the property is located (rather than only its address) and some market analysis if the property relates to property activities. For example, whether the property is located in the central business district, supply and demand information, occupancy rates, trends in property yield, sales prices, rental rates etc.;*
- (2) *use and approximate area;*
- (3) *any restrictions on its use;*
- (4) *an indication of how the property is held. For example, owned or leased. If leased, the remaining term of the lease;*

- (5) *details of encumbrances, liens, pledges, mortgages against the property;*
- (6) *environmental issues, such as breach of environmental regulations;*
- (7) *details of investigations, notices, pending litigation, breaches of law or title defects;*
- (8) *plans for construction, renovation, improvement or development of the property and estimated associated costs;*
- (9) *plans to dispose of or change the use of the property; and*
- (10) *any other information considered material for investors.*

Chapter 9

GENERAL

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

General

- 9.01 Listing is always granted subject to the condition that, where the Exchange considers it necessary for the protection of investors or the maintenance of an orderly market, it may, at any time, halt, suspend or direct the resumption of dealings in an securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the issuer or not.
- 9.02 On-going suitability for listing will be assessed by reference to the requirements of Chapter 11 and the issuer's state of compliance with the continuing obligations set out in the GEM Listing Rules.

Trading halt or suspension

- 9.03 An issuer shall endeavour to avoid any trading halt or suspension of dealings in its securities.

Notes: 1 Recourse to a trading halt or suspension should only be made where necessary in the interests of all parties.

2 In many cases the appropriate course of action, which the Exchange expects all issuers to follow so far as reasonably practicable, will be for the issuer to publish an announcement to avoid the need for a trading halt or suspension.

3 Where a detailed announcement may take time to prepare, the issuer should, subject to rules 19.37 and 20.33 concerning announcements of notifiable and connected transactions, consider making a short announcement to disclose information which is or may be inside information (and for the purpose of avoiding a suspension). This could be followed, at the soonest practicable opportunity thereafter, with a detailed announcement giving all information required by the GEM Listing Rules.

- 9.04 Under rule 9.01, the Exchange may direct a trading halt or suspend dealings in an issuer's securities regardless of whether or not the issuer has requested the same and may do so in any circumstances, including:—

- (1) where the issuer goes into receivership or liquidation; or
- (2) where the Exchange considers there are insufficient securities in the hands of the public (see rule 11.23); or
- (3) where the Exchange considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the issuer's securities (see rule 17.26); or
- (4) where the Exchange considers that the issuer or its business is no longer suitable for listing; or
- (5) where there is a breach of the GEM Listing Rules, the severity of which, in the opinion of the Exchange, justifies suspension (and without prejudice to any other action which the Exchange may take under the GEM Listing Rules); or

- (6) where the integrity and reputation of the market has been or may be impaired by dealings in the issuer's securities; or
- (7) where there are unexplained unusual movements in the price or trading volume of the issuer's listed securities or where a false market for the trading of the issuer's securities has or may have developed and the issuer's authorised representative cannot immediately be contacted to confirm that the issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of such securities or the development of a false market, or where the issuer delays in issuing an announcement in the form required under rule 17.11; or
- (8) where there is uneven dissemination or leakage of inside information in the market giving rise to an unusual movement in the price or trading volume of the issuer's listed securities.

Notes: 1 The Exchange will not hesitate to direct a trading halt or suspend dealings where it considers that improper use is being made of inside information, whether by core connected persons of the issuer or otherwise. It may require a detailed explanation from an issuer as to who may have had access to unpublished information, and why security had not been properly maintained. If it considers the result of its enquiries justify, it may publish its findings. It places great importance on the responsibility of the directors of an issuer to ensure not only proper security with regard to inside information, but also that relevant information is disclosed in a proper and equitable manner, in the interests of the market as a whole, and not to the benefit of a selected group or individual.

2 Where the Exchange believes that an issuer or its advisers have permitted inside information regarding the issue of new securities to leak before its announcement, it will not normally consider an application for the listing of those securities.

3 Under the Statutory Rules, the Exchange will notify the Commission of trading halts, suspensions and restorations of dealings. In addition, the Exchange will halt or suspend dealings if the Commission directs under the Statutory Rules.

9.05 The Exchange retains a discretion to allow the trading halt or suspension of dealings in an issuer's securities in appropriate circumstances which may, on a case by case basis, include the following:—

- (1) where, for a reason acceptable to the Exchange, inside information cannot at that time be disclosed; or
- (2) where an issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with and agreement by one or more major shareholders. Trading halts or suspensions will only normally be appropriate where no previous announcement has been made. In other cases, either the details of the offer should be announced, or if this is not yet possible, a "warning" announcement indicating that the issuer is in discussion which could lead to an offer, should be issued, without recourse to a trading halt or a suspension; or
- (3) where necessary to maintain an orderly market; or
- (4) in respect of certain levels of notifiable or connected transaction, for example, one involving substantial changes in the nature, control or structure of an issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned.

Procedure

- 9.06 If the issuer believes that a trading halt or suspension cannot, in all of the circumstances, be avoided it should contact the Exchange at the earliest practicable opportunity.

Notes: 1 Any request for a trading halt or suspension of dealings should be directed by telephone to the Listing Division in accordance with rule 2.22. It will only be considered when it is received directly from the issuer's authorised representative, some other responsible officer, Compliance Adviser, financial adviser, or legal adviser. Confirmation may be requested as to the authority of the person requesting the trading halt or the suspension. A formal letter supporting the request will be required, although, if the circumstances are exceptionally urgent, this need not be delivered to the Listing Division at the time of the initial request.

2 Reason(s) for the trading halt or suspension must be given in support of the request and the issuer will be expected to explain why an announcement cannot be or could not have been issued to avoid the trading halt or the suspension.

3 A request for a trading halt or suspension of dealings (or continued trading halt or suspension of dealings) following the publication of an announcement based solely on a wish that the information should be allowed time to disseminate more widely will not be accepted by the Exchange.

- 9.07 An issuer must endeavour to ensure that any request for suspension is, so far as is reasonably practicable, made outside Exchange trading hours (and as early as is practicable before commencement of the next half-day trading session on GEM). Only in exceptional circumstances should a request be made during a trading session.

- 9.08 Where dealings have been halted or suspended, the issuer must announce the reason(s) for the trading halt or suspension and, where halted or suspended at the request of the issuer, the known or anticipated timing of the lifting of the trading halt or suspension, having regard to the matters set out in rule 9.11.

Resumption

- 9.09 In the interests of a fair and continuous market, the Exchange requires any period of trading halt or suspension to be kept as short as reasonably practicable. In this regard, the issuer must use its reasonable endeavours to obtain all relevant consents (including regulatory consents) necessary to ensure the lifting of such trading halt or suspension.

Note: The Exchange considers that the continuation of any trading halt or suspension beyond such period as is absolutely necessary denies reasonable access to the market and prevents its proper functioning.

- 9.10 The procedure for lifting the trading halt or suspension will depend on the circumstances and the Exchange reserves the right to impose such conditions as it considers appropriate.

- 9.11 In the case of a trading halt or suspension pending an announcement of any matter which is or may be inside information, the issuer shall use its reasonable endeavours to issue the announcement before commencement of the next half-day trading session on GEM. If it is not possible, for whatever reason, to issue the announcement within this time scale, the issuer shall, if requested to do so by the Exchange:—

(1) issue a “holding” announcement on the GEM website, before commencement of the next half-day trading session on GEM; and

- (2) request a resumption of dealings in its securities with effect from commencement of the next half-day trading session on GEM.

Notes: 1 *Any holding announcement required for the purpose of this rule should be in substantially the following form:—*

"This announcement is made at the request of The Stock Exchange of Hong Kong Limited. 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.

The directors of [] are aware that there remains outstanding information relating to the Company which is or may be inside information and which it is not practicable to publish at this time.

An announcement concerning this information will be made in due course, at the soonest practicable opportunity.

As required under the GEM Listing Rules, the Company has requested the resumption of dealings in its securities with effect from []"

In the meantime, investors are advised to exercise caution when dealing in the securities of the Company.

Made by order of the Board of [], the directors of which collectively and individually accept responsibility for the accuracy of this announcement."

- 2 *A holding announcement of the type under Note 1 must be published in accordance with Chapter 16.*

9.12 Under rule 9.01, the Exchange may direct the resumption of dealings in securities. In particular, the Exchange may:—

- (1) without prejudice to rule 9.11, require an issuer to publish an announcement, in such terms and within such period as the Exchange shall, in its discretion, direct, notifying the resumption of dealings in the issuer's securities, following the publication of which the Exchange may direct the resumption of dealings; and/or
- (2) direct a resumption of dealings following the publication of an announcement by the Exchange notifying the resumption of dealings in the securities.

9.13 The power conferred upon the Exchange by rule 9.12 shall not be exercised without first giving the issuer of the securities subject to trading halt or suspension the opportunity of having the matter reviewed in accordance with rule 4.07(5). At any hearing in connection with a direction for resumption, the burden shall be on the issuer opposing the resumption to satisfy the Exchange that a continued trading halt or suspension would be appropriate.

Cancellation of listing

9.14 Pursuant to rule 9.01, the Exchange may cancel the listing of an issuer at any time and may do so in any circumstance including (but not limited to) those set out in rule 9.04 and in circumstances where the securities of an issuer have been continuously suspended for a prolonged period without the issuer taking adequate action to obtain a restoration of the listing.

- 9.15 Without prejudice to rule 9.14, in circumstances where the Exchange proposes to exercise its right to cancel a listing, notice of the same will usually be given to the issuer by the Exchange indicating a period (ordinarily, of 6 months) within which the Exchange would expect the issuer to have remedied those matters that gave rise to the Exchange's proposal to cancel the listing (or otherwise to have submitted to the Exchange proposals intended to remedy the same).
- 9.16 On the expiry of any period specified for the purposes of rule 9.15, the Exchange may give notice to cancel the listing with immediate effect or, where the issuer has responded with proposals satisfactory to the Exchange, may, without prejudice to rule 9.14, exercise its discretion to extend the period within which the issuer will be expected to have remedied those matters that gave rise to the Exchange's proposal to cancel the listing.
- 9.17 The issuer must publish an announcement on receiving notice from the Exchange pursuant to rule 9.15 to 9.16 and a further announcement on the expiry of any period specified for the purposes of those rules, in each case providing details of the Exchange's decision or requirements and the consequences to holders of the issuer's securities.
- 9.18 Any proposals to remedy matters pursuant to rules 9.15 to 9.16 may, at the discretion of the Exchange, result in the issuer being treated, for all purposes, as a new applicant for listing.

Withdrawal of listing

- 9.19 Subject to rule 9.23, an issuer that has an alternative listing on another regulated, regularly operating, open stock exchange or securities market recognised for this purposes by the Exchange, may not voluntarily withdraw its listing on GEM unless:—
- (1) the prior approval of shareholders has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer;
 - (2) the prior approval of holders of any other class of listed securities, if applicable, has been obtained; and
 - (3) the issuer has given its shareholders and holders of any other class of listed securities, if applicable, at least 3 months notice of the proposed withdrawal of the listing. This minimum notice period must run from the date on which the shareholders approve the voluntary withdrawal of listing and such notice must include details of how to transfer securities to and trade those securities on the alternative market.

In deciding whether an alternative listing is acceptable the Exchange must be satisfied that the alternative market is open and readily accessible by Hong Kong investors. A market to which access by Hong Kong investors is restricted (for example, by foreign exchange controls) will not be acceptable.

- 9.20 Subject to rule 9.23, if the issuer has no such alternative listing, the issuer may not voluntarily withdraw its listing on GEM without the permission of the Exchange unless:—
- (1) the issuer has obtained the prior approval of its shareholders and holders of any other class of listed securities, if applicable, at a duly convened meeting of shareholders and a separate meeting of holders of any other class of listed securities, if applicable, at which any controlling shareholders and their respective associates shall abstain from voting in favour. Where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. The issuer must disclose the information required under rule 2.28 in the circular to shareholders;

- (2) the approval of withdrawal of the listing referred to in rule 9.20(1) must be given by at least 75% of the votes attaching to any class of listed securities held by holders voting either in person or by proxy at the meeting. For the purpose of determining the percentage, the listed securities held by directors, the chief executive and any controlling shareholders or their respective associates that vote against the resolution at the meeting are to be included;
- (3) the number of votes cast against the resolution is not more than 10% of the votes attaching to any class of listed securities held by holders permitted under rule 9.20(1) to vote in person or by proxy at the meeting. For the purpose of determining the percentage, the listed securities held by directors, the chief executive and any controlling shareholders or their respective associates that vote against the resolution at the meeting are to be included; and
- (4) the shareholders and holders of any other class of listed securities, if applicable, other than the directors (excluding independent non-executive directors), chief executive and controlling shareholders, are offered a reasonable cash alternative or other reasonable alternative.

9.21 In relation to any withdrawal of listing under rule 9.20, the Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the meeting:

- (1) any parties who were controlling shareholders of the issuer at the time the decision for the transaction or arrangement involving the withdrawal of listing was made or approved by the board, and their associates; and
- (2) where there were no such controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer at the time the decision for the transaction or arrangement involving the withdrawal of listing was made or approved by the board, and their respective associates.

The issuer must disclose the information required under rule 2.28 in the circular to shareholders.

9.22 In relation to any withdrawal of listing under rule 9.20, the issuer must comply with the requirements under rules 17.47(6) and 17.47(7) and rules 17.47A, 17.47B and 17.47C.

9.23 An issuer may voluntarily withdraw its listing on the Exchange, irrespective of whether it has an alternative listing or not, if:–

- (1) after a general offer a right to compulsory acquisition is exercised pursuant to applicable laws and regulations (the requirements of which are, where the issuer is not a company incorporated in Hong Kong, at least as onerous as those applicable if it were) resulting in the acquisition of all the listed securities of the issuer, or
- (2) the issuer is privatised by way of a scheme of arrangement or capital reorganisation which is governed by the Takeovers Code and all the relevant requirements, including the shareholders' approval requirements, under the Takeovers Code have been complied with,

and, in either case, it has given its shareholders notice of the proposed withdrawal of the listing by way of an announcement and the intention not to retain the issuer's listing on the Exchange has been stated in a circular to shareholders.

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 Rule 9A.02, may apply for a transfer of its listing from GEM to the Main Board. The relevant provisions are set out in Chapter 9A of the Main Board Listing Rules.
- (2) Transfer of listing to the Main Board from GEM is not regarded as a withdrawal of listing from the Exchange and rules 9.19 to 9.23 are not applicable to such transfer.
- 9.25 An application for a transfer of listing shall be submitted to the Listing Division which may reject it or recommend it for final approval by the Main Board Listing Committee as provided in the Main Board Listing Rules.
- 9.26 As soon as reasonably practicable and in any event by the same day when the documents described under Main Board Listing Rule 9A.06 are submitted to the Exchange for a transfer of listing from GEM to the Main Board, the issuer shall announce the relevant facts to inform the market.

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

Chapter 10

EQUITY SECURITIES

METHODS OF LISTING

General

10.01 A new applicant may bring securities to listing by any of the following methods:—

- (1) an offer for subscription;
- (2) an offer for sale;
- (3) a placing;
- (4) an introduction; or
- (5) such other method as may be accepted by the Exchange.

10.02 A listed issuer may bring equity securities (whether or not a class already listed) to listing by any of the following methods:—

- (1) an offer for subscription;
- (2) an offer for sale;
- (3) a placing;
- (4) a rights issue;
- (5) an open offer;
- (6) a capitalisation issue;
- (7) a consideration issue;
- (8) an exchange, substitution or conversion of securities; or
- (9) such other method as may be accepted by the Exchange.

Offer for subscription

10.03 An offer for subscription is an offer to the public by or on behalf of an issuer of its own securities for subscription.

10.04 In the case of offers by tender, the Exchange must be satisfied as to the fairness of the basis of allotment so that every investor who applies at the same price for the same number of securities receives equal treatment.

10.05 An offer for subscription must be supported by a listing document which must comply with the relevant requirements of Chapter 14.

10.06 Offers for subscription require compliance with the publication requirements set out in rules 16.07 and 16.13 or 16.14.

Offer for sale

10.07 An offer for sale is an offer to the public by or on behalf of the holders or allottees of securities already in issue or agreed to be subscribed.

10.08 In the case of offers by tender, the Exchange must be satisfied as to the fairness of the basis of allotment so that every investor who applies at the same price for the same number of securities receives equal treatment.

10.09 An offer for sale must be supported by a listing document which must comply with the relevant requirements of Chapter 14.

10.10 Offers for sale require compliance with the publication requirements set out in rules 16.07 and 16.13 or 16.14.

Placing

10.11 A placing is the obtaining of subscriptions for or the sale of securities by an issuer or intermediary primarily from or to persons selected or approved by the issuer or intermediary.

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

- (1) No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Exchange.
- (2) Details of the placing must be published in accordance with the requirements of rules 16.07 or 16.08, as applicable, and (as regards the results) in accordance with sub-paragraph (4) below and rule 16.16.
- (3) In relation to any initial public offering to be effected by way of a placing or which includes a placing tranche, the listing document issued in connection therewith must state details of any arrangements to allocate securities to any placee on a preferential basis, as referred to in rule 13.02. The Exchange reserves the right to reject any such proposed arrangements.
- (4) The announcement of the results of the placing required pursuant to rule 16.16 must include a brief generic description of the placees. If securities have been placed with different groups of placees, then the announcement must contain a description of each group and the number of shares placed with each group, provided that certain types of placee (as specified in Note 1 to this rule) must be identified on an individually-named basis, with the number of shares placed with each named placee also being disclosed. In the case of an initial public offering effected by way of a placing or which included a placing tranche, the announcement must also include information on:—
 - (a) the level of interest in the placing;

- (b) a table showing the distribution of the placing shares; and
- (c) an analysis of the distribution, in particular, the concentration of the placing shares, including but not limited to the number of placing shares that are placed with the top 1, 5, 10 and 25 placees. Where, in the view of the Exchange, there is a high concentration of shares being marketed for which listing is sought with a few placees, a statement substantially in the following form:

“Investors should be aware that the concentration of shareholders may affect the liquidity of the shares of the [issuer]. Consequently, shareholders and potential investors are advised to exercise caution when dealing in such shares.”

Notes: 1 The purpose of this rule is to enable shareholders and investors to understand the broad composition of the ownership of the placed shares immediately prior to trading in those shares. The groups of placees which the issuer must identify in the announcement, to the extent applicable, include:—

- (a) [Repealed 3 June 2010];*
- (b) directors and their close associates (on an individually-named basis);*
- (c) substantial shareholders and their close associates (on an individually-named basis);*
- (d) in relation only to an initial public offering effected by way of a placing or which included a placing tranche, significant shareholders and their close associates (on an individually-named basis);*
- (e) employees;*
- (f) the Sponsor and its close associates;*
- (g) the lead broker and/or any distributor and any connected clients of either (as defined in Note 2 below);*
- (h) customers or clients of the issuer;*
- (i) suppliers to the issuer; and*
- (j) the underwriters (if any) and their close associates, if different from (f) or (g) above.*

The announcement should, if applicable, give particulars of any duplication between the descriptions of placees and must indicate the number and proportion of shares placed to the public.

2 For the purposes of sub-paragraph (g) of Note 1 above “connected client” in relation to an Exchange Participant means any client of such Exchange Participant who is:—

- (a) a partner of such Exchange Participant;*

- (b) *an employee of such Exchange Participant;*
 - (c) *where the Exchange Participant is a company,*
 - (i) *any person who is a substantial shareholder of such Exchange Participant; or*
 - (ii) *a director of such Exchange Participant;*
 - (d) *the spouse or infant child or step child of any individual described in (a) to (c) above;*
 - (e) *a person in his capacity as trustee of a private or family trust (other than a pension scheme) the beneficiaries of which include any person in (a) to (d) above;*
 - (f) *a close relative of any person in (a) to (d) above where his account is managed by such Exchange Participant in pursuance of a discretionary managed portfolio agreement; or*
 - (g) *a company which is a member of the same group of companies as such Exchange Participant.*
- (5) Dealings in the securities cannot commence until the Exchange has been supplied with and approved a list setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and business registration numbers (where companies) of all placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each placee. The Exchange reserves the right to require submission of such further information (on an electronic spreadsheet or such other format as it may request) on the placees as it may consider necessary for the purpose of establishing their independence, including without limitation details of beneficial ownership.
- (6) Separate Marketing Statements in the form set out in Appendix 5D signed by each of: (a) the lead broker; (b) any distributor(s); and (c) any Exchange Participant referred to in rules 12.26(6)(a) and 12.27(6)(a), must be lodged with the Exchange before dealings commence.
- (7) The lead broker and each distributor and Exchange Participant referred to in sub-paragraph (6) above must keep a record of their placees for at least 3 years following the placing. This record should contain the information referred to in sub-paragraph (5) above.

10.13 Placings of securities by a listed issuer will be allowed only in the following circumstances:—

- (1) where such placing falls within any general mandate given to the directors of the applicant by the shareholders in accordance with rule 17.41(2); or
- (2) where the placing is specifically authorised by the shareholders of the applicant in general meeting.

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

- 10.15 A placing by or on behalf of a listed issuer of securities of a class already listed does not have to be supported by a listing document but if a prospectus or other listing document is required, it must comply with the relevant requirements of Chapter 14.
- 10.16 The Exchange may be prepared to allow preliminary arrangements and placings to be made to dispose of securities before the start of dealings where necessary to comply with the requirements of rule 11.23 that a minimum prescribed percentage of any class of listed securities must at all times remain held by the public.

Introduction

- 10.17 An introduction is an application for listing of securities already in issue where no marketing arrangements are required because the securities for which listing is sought are already of such an amount and so widely held that their adequate marketability when listed can be assumed.
- 10.18 Introductions will normally be appropriate in the following circumstances:—
- (1) where the securities for which listing is sought are already listed on another stock exchange;
 - (2) where the securities of an issuer are distributed in specie by a listed issuer to the shareholders of that listed issuer or to the shareholders of another listed issuer; or
 - (3) where a holding company is formed and its securities are issued in exchange for those of one or more listed issuers. Any reorganisation by way of scheme of arrangement or by any other means whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed issuers and the listing of the latter issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed must first be approved by a special resolution of the shareholders of the listed issuer or issuers.

Note: Any issuer contemplating an introduction of the type referred to in sub-paragraph (3) is referred to the provisions of rule 24.05(6).

- 10.19 An introduction will only be permitted in exceptional circumstances if there has been a marketing of the securities in Hong Kong within the 6 months prior to the proposed introduction where such marketing was made conditional on listing being granted for those securities. Furthermore, there may be other factors, such as a pre-existing intention to dispose of securities, a likelihood of significant public demand for the securities or an intended change of the issuer's circumstances, which would render an introduction unacceptable to the Exchange. An introduction will not be permitted if a change in the nature of the business is in contemplation.
- 10.20 An issuer should apply to the Exchange as early as possible to obtain confirmation that an introduction will be an appropriate method of listing. The application must state the names and holdings of the ten largest beneficial holders of the securities (if known) and the total number of holders. A copy of the share register may be required by the Exchange. In addition, particulars of the holdings of the directors and their close associates must be included. If such approval to the method of listing is given, it does not necessarily mean that listing for the securities will ultimately be granted.
- 10.21 An introduction must be supported by a listing document which must comply with the relevant requirements of Chapter 14.
- 10.22 Introductions require compliance with the publication requirements set out in rule 16.08.

Rights issue

- 10.23 A rights issue is an offer by way of rights to existing holders of securities which enables those holders to subscribe securities in proportion to their existing holdings. Rights issue need not be underwritten.
- 10.24 A rights issue must be made conditional on shareholders' approval in the circumstances set out in rules 10.29 and 10.31(2).
- 10.25 If a rights issue is not fully underwritten the listing document must contain full disclosure of the fact that it is not fully underwritten and all other relevant circumstances, including the consequential risks in dealing in such rights, and a statement of the minimum amount, if any, which must be raised in order for the issue to proceed. Such disclosure must appear on the front cover of the listing document and in a prominent position at the front of the document and be in a form approved by the Exchange.

In addition, the listing document must contain a statement of the intended application of the net proceeds of the issue according to the level of subscriptions and a statement in respect of each substantial shareholder as to whether or not that substantial shareholder has undertaken to take up his or its entitlement in full or in part and if so on what conditions, if any.

- 10.26 If a rights issue is not fully underwritten:—

- (1) the issuer must comply with any applicable statutory requirements regarding minimum subscription levels; and
- (2) a shareholder who applies to take up his or its full entitlement may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained.

Note: In the circumstances set out in rule 10.26(2), an issuer may provide for shareholders to apply on the basis that, if the issue is not fully taken up, their application can be "scaled" down to a level which does not trigger an obligation to make a general offer.

- 10.27 If a rights issue is underwritten and the underwriter is entitled to terminate that underwriting upon the occurrence of any event after dealings in the rights in nil-paid form have commenced, then the rights issue listing document must contain full disclosure of that fact. Such disclosure must:—

- (1) appear on the front cover of the listing document and in a prominent position at the front of the document;
- (2) include a summary of the termination provisions and explain when they will cease to be exercisable and such summary must appear in a prominent position in the document;
- (3) detail any consequential risks in dealing in such rights; and
- (4) be in a form approved by the Exchange.

- 10.28 If a rights issue is underwritten (whether in whole or in part) by a person or persons whose ordinary business does not include underwriting, the listing document must contain full disclosure of that fact.

- 10.29 If the proposed rights issue would increase either the number of issued shares or the market capitalisation of the issuer by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together

with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers):—

- (1) the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. The issuer must disclose the information required under rule 2.28 in the circular to shareholders; and
- (2) the issuer shall set out in the circular to shareholders the purpose of the proposed rights issue, together with the total funds expected to be raised and a detailed breakdown and description of the proposed use of the proceeds. The issuer shall also include the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the 12 months immediately preceding the announcement of the proposed rights issue, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount.

10.29A Where shareholders' approval is required under rule 10.29, the Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the general meeting:

- (1) any parties who were controlling shareholders of the issuer at the time the decision for the transaction or arrangement involving the rights issue was made or approved by the board, and their associates; or
- (2) where there were no such controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer at the time the decision for the transaction or arrangement involving the rights issue was made or approved by the board, and their respective associates.

The issuer must disclose the information required under rule 2.28 in the circular to shareholders.

10.29B Where shareholders' approval is required under rule 10.29, the issuer must comply with the requirements under rules 17.47(6) and 17.47(7) and rules 17.47A, 17.47B and 17.47C.

10.30 Offers of securities by way of rights are normally required to be conveyed by renounceable provisional letters of allotment or other negotiable instruments, which must state the time, being not less than 10 business days, in which the offer may be accepted. In cases where the issuer has a large number of overseas members a longer offer period may be desirable, provided that the Exchange must be consulted if the issuer proposes an offer period of over 15 business days.

Note: Part A of Appendix 2 contains further provisions which are relevant to rights issues.

10.31 (1) In every rights issue, the issuer may make arrangements to:—

- (a) dispose of securities not subscribed by allottees under provisional letters of allotment or their renounees by means of excess application forms, in which case such securities must be available for subscription by all shareholders and allocated on a fair basis; or
- (b) dispose of securities not subscribed by allottees under provisional letters of allotment in the market, if possible, for the benefit of the persons to whom they were offered by way of rights.

The offer of such securities and the basis of allocation of the securities available for excess applications must be fully disclosed in the rights issue announcement, listing document and any circular.

- (2) If no arrangements or arrangements other than those described in rule 10.31(1) are made for the disposal of securities not subscribed by the allottees under provisional letters of allotment or their renounees and the rights issue is wholly or partly underwritten or sub-underwritten by a director, chief executive or substantial shareholder of the issuer (or an associate of any of them), then the absence of such arrangements or the making of such other arrangements must be specifically approved by shareholders. Those persons who have a material interest in such other arrangements must abstain from voting on the matter at the meeting and the circular to shareholders must contain full details of the terms and conditions of that underwriting and/or sub-underwriting. The issuer must disclose the information required under rule 2.28 in the circular to shareholders.

10.32 A rights issue must be supported by a listing document which must comply with the relevant requirements of Chapter 14.

10.33 Rights issues require compliance with the publication requirements set out in rule 16.15.

Open offer

10.34 An open offer is an offer to existing holders of securities to subscribe securities, whether or not in proportion to their existing holdings, which are not allotted to them on renounceable documents. An open offer may be combined with a placing to become an open offer with a claw back mechanism, in which a placement is made subject to the rights of existing holders of securities to subscribe part or all of the placed securities in proportion to their existing holdings. Open offers need not be underwritten.

10.35 An open offer must be made conditional on shareholders' approval in the circumstances set out in rules 10.39, 10.41 and 10.42(2).

10.36 If an open offer is not fully underwritten the listing document must contain full disclosure of the fact that it is not fully underwritten and all other relevant circumstances and a statement of the minimum amount, if any, which must be raised in order for the issue to proceed. Such disclosure must appear on the front cover of the listing document and in a prominent position at the front of the document and be in a form approved by the Exchange.

In addition, the listing document must contain a statement of the intended application of the net proceeds of the issue according to the level of subscriptions and a statement in respect of each substantial shareholder as to whether or not that substantial shareholder has undertaken to take up his or its entitlement in full or in part and if so on what conditions, if any.

10.37 If an open offer is not fully underwritten:—

- (1) the issuer must comply with any applicable statutory requirements regarding minimum subscription levels; and
- (2) a shareholder who applies to take up his or its full entitlement may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained.

Note: In the circumstances set out above in rule 10.37(2), an issuer may provide for shareholders to apply on the basis that, if the issue is not fully taken up, their application can be "scaled" down to a level which does not trigger an obligation to make a general offer.

10.38 If an open offer is underwritten (whether in whole or in part) by a person or persons whose ordinary business does not include underwriting, the listing document must contain full disclosure of that fact.

10.39 If the proposed open offer would increase either the number of issued shares or the market capitalisation of the issuer by more than 50% (on its own or when aggregated with any other open offers or rights issues announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed open offer or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers):—

- (1) the open offer must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. The issuer must disclose the information required under rule 2.28 in the circular to shareholders; and
- (2) the issuer shall set out in the circular to shareholders the purpose of the proposed open offer, together with the total funds expected to be raised and a detailed breakdown and description of the proposed use of the proceeds. The issuer shall also include the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the 12 months immediately preceding the announcement of the proposed open offer, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount.

10.39A Where shareholders' approval is required under rule 10.39, the Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the general meeting:

- (1) any parties who were controlling shareholders of the issuer at the time the decision for the transaction or arrangement involving the open offer was made or approved by the board, and their associates; or
- (2) where there were no such controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer at the time the decision for the transaction or arrangement involving the open offer was made or approved by the board, and their respective associates.

The issuer must disclose the information required under rule 2.28 in the circular to shareholders.

10.39B Where shareholders' approval is required under rule 10.39, the issuer must comply with the requirements under rules 17.47(6) and 17.47(7) and rules 17.47A, 17.47B and 17.47C.

10.40 Offers of securities by way of an open offer must remain open for acceptance for a minimum period of 10 business days. In cases where the issuer has a large number of overseas members a longer offer period may be desirable, provided that the Exchange must be consulted if the issuer proposes an offer period over 15 business days.

10.41 If the securities are not offered to existing holders in proportion to their existing holdings then, unless the securities are to be allotted by the directors under the authority of a general mandate granted in accordance with rule 17.41(2), an open offer requires the prior approval of the shareholders in general meeting.

- 10.42 (1) In every open offer the issuer may make arrangements to dispose of securities not validly applied for by shareholders in excess of their assured allotments, in which case such securities and the basis of allocation of the securities available for excess applications must be available for subscription by all shareholders and allocated on a fair basis. The offer of such securities and the basis of allocation of the securities available for excess applications must be fully disclosed in the open offer announcement, listing document and any circular.
- (2) If no arrangements or arrangements other than those described in rule 10.42(1) are made for the disposal of securities not validly applied for and the open offer is wholly or partly underwritten or sub-underwritten by a director, chief executive or substantial shareholder of the issuer (or an associate of any of them), then the absence of such arrangements or the making of such other arrangements must be specifically approved by shareholders. Those persons who have a material interest in such other arrangements must abstain from voting on the matter at the meeting and the circular to shareholders must contain full details of the terms and conditions of that underwriting and/or sub-underwriting. The issuer must disclose the information required under rule 2.28 in the circular to shareholders.

10.43 An open offer must be supported by a listing document which must comply with the relevant requirements of Chapter 14.

10.44 Open offers require compliance with the publication requirements set out in rule 16.13.

Capitalisation issue

10.45 A capitalisation issue is an allotment of further securities to existing shareholders, credited as fully paid up out of the issuer's reserves or profits, in proportion to their existing holdings, or otherwise not involving any monetary payments. A capitalisation issue includes a scrip dividend scheme.

10.46 A capitalisation issue must be supported by a listing document, in the form of a circular to shareholders, which must comply with the relevant requirements of Chapter 14.

Consideration issue

10.47 A consideration issue is an issue of securities as consideration in a transaction or in connection with a takeover or merger or the division of an issuer.

10.48 A consideration issue must be announced by the issuer in accordance with rules 19.34 and 19.35.

Exchange, substitution or conversion

10.49 Securities may be brought to listing by an exchange or a substitution of securities for or a conversion of securities into other classes of securities. A conversion of securities includes:—

- (1) the exercise of options, warrants or similar rights to subscribe or purchase securities as granted in accordance with Chapter 21;
- (2) the conversion of convertible equity securities as issued in accordance with Chapter 22;
- (3) the exercise of options granted to or for the benefit of participants as granted in accordance with Chapter 23; and
- (4) the conversion of convertible debt securities in accordance with Chapter 34.

10.50 An exchange or a substitution of securities must be supported by a listing document, in the form of a circular to shareholders, which must comply with the relevant requirements of Chapter 14.

Other methods

10.51 Securities may also be brought to listing by:—

- (1) an issue of new shares as a result of a consolidation, sub-division or capital reduction of existing listed securities; or
- (2) such other methods as the Exchange may from time to time approve.

10.52 An issue of new shares as a result of a consolidation, sub-division or capital reduction must be supported by a listing document, in the form of a circular to shareholders, which must comply with the relevant requirements of Chapter 14.

Chapter 11

EQUITY SECURITIES

QUALIFICATIONS FOR LISTING

Preliminary

11.01 This Chapter sets out the basic conditions which have to be met as a pre-requisite to the listing of equity securities. They apply to every method of listing and to both new applicants and listed issuers except where otherwise stated. Further conditions which have to be met by overseas issuers and PRC issuers are set out in Chapters 24 and 25. Issuers are reminded:—

- (1) that these requirements are not exhaustive and that the Exchange may impose additional requirements in any particular case; and
- (2) that the Exchange retains an absolute discretion to accept or reject applications for listing and that compliance with the relevant conditions may not of itself ensure an applicant's suitability for listing.

Prospective issuers, and in particular new applicants, are therefore encouraged to contact the Exchange to seek informal and confidential guidance as to the eligibility of a proposed issue for listing at the earliest possible opportunity.

Note: Queries should be addressed to the Listing Division and should, so far as practicable, be made by the Sponsor (other than in circumstances where the issuer is not required to have (or does not otherwise retain) a Sponsor).

11.02 A listed issuer shall, prior to their issue, apply for the listing of any further securities which are of the same class as securities already listed and shall not issue such securities unless approval for the listing of those securities has been granted by the Exchange.

11.03 A new applicant will not be rendered unsuitable for listing on the grounds that any director or shareholder has an interest in a business which competes or may compete with the new applicant's business.

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, half-year report and quarterly reports of the listed issuer.

Notes: 1 [Repealed 3 June 2010]

- 2 Each of the documents referred to in this rule is required to set out the interests of directors and, in relation only to the initial listing document, substantial shareholders (including the interests of their respective close associates) under a specific heading and both the heading and information must be given suitable prominence within the document.*

3 *Of the interests required to be disclosed pursuant to this rule, a director or substantial shareholder must include any directorship or ownership of an entity engaged in a business which competes or is likely to compete with the business of the group. The disclosure should include the name of each such entity, the nature of its business and details of the directorship and/or ownership of the issuer's directors and substantial shareholders and their respective close associates in such entity.*

4 *See also paragraph 27A of Appendix 1A.*

General conditions applicable to all issuers

11.05 The issuer must be duly incorporated or otherwise established under the laws of Hong Kong, the PRC, Bermuda or the Cayman Islands and must be in conformity with those laws, including all such laws relevant to the allotment and issue of securities, and with its memorandum and articles of association or equivalent documents. The issuer's memorandum and articles of association must comply with Appendix 3 and, in addition (in the case of overseas issuers incorporated or established in specified jurisdictions) with Appendix 11.

11.06 Both the issuer and its business must, in the opinion of the Exchange, be suitable for listing. Without limiting the generality of this rule, an issuer whose assets consist wholly or substantially of cash or short-dated securities will not normally be regarded as suitable for listing, except where the issuer or group is solely or mainly engaged in the securities brokerage business. "Short-dated securities" means securities such as bonds, bills or notes which have less than 1 year to maturity.

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:—

- (1) directors – rules 5.02 and 5.05;
- (2) company secretary – rule 5.14;
- (3) compliance officer – rule 5.19;
- (4) authorised representatives – rule 5.24; and
- (5) members of the audit committee – rules 5.28 and 5.29.

11.08 The issuer must either be an approved share registrar or employ an approved share registrar to maintain in Hong Kong its register of members.

11.09 Issuers must comply with Chapter 6A, in particular, with respect to the appointment of a Sponsor and a Compliance Adviser.

11.10 A new applicant and, if required pursuant to rule 7.01, a listed issuer must have an accountants' report prepared in accordance with Chapter 7, covering (subject to rule 11.14) in the case of a new applicant, at least the 2 financial years immediately preceding the issue of the listing document.

Note: The accountants' report must cover a trading record period of at least the 2 financial years preceding the issue of the listing document in the case of a new applicant described in rule 11.12A. For general guidance, where the issuer has a longer operating history of more than two years, the Exchange would encourage voluntary disclosure of three years of financial results in the accountants' report.

Additional conditions applicable to new applicants

Accountants' report

11.11 In the case of a new applicant, the latest financial period reported on by the reporting accountants must not have ended more than 6 months before the date of the listing document.

11.12 [Repealed 1 July 2008]

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

11.13 In the event that the company responsible for carrying on the active business is not the new applicant itself, such business must be carried on by a subsidiary or subsidiaries of the new applicant, provided that in relation to any such subsidiary (an "active subsidiary"):

- (1) the new applicant must control the composition of the board of directors of that active subsidiary and of any intermediate holding company; and
- (2) the new applicant must have an effective economic interest of no less than 50 per cent in that active subsidiary.

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

- (1) in respect of newly-formed "project" companies (for example a company formed for the purposes of a major infrastructure project);
- (2) in respect of Mineral Companies; and
- (3) in exceptional circumstances under which the Exchange considers it desirable to accept a shorter period.

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

Business objectives

11.15 A new applicant must, in a statement in the listing document made in compliance with the requirements of rules 14.19 to 14.21, clearly set out its business objectives and explain how it proposes to achieve them.

Note: The new applicant's statement of business objectives is designed to indicate, in reasonable detail, the new applicant's potential, how this is likely to be realised over an identified time frame. Due regard should also be given to the disclosure requirements under Rule 18.08A when preparing the statement of business objectives.

Property-related matters

11.16 Property interests of an applicant's property activities must have, in respect of a substantially major portion of its PRC properties, long-term title certificates and/or, in respect of a substantially major portion of its properties not situated in the PRC, other appropriate evidence of title, regardless of whether such properties are completed or still under development.

Note: For the purposes of rules 11.16 to 11.19:—

- (1) a "property activity" has the same definition as defined in rule 8.01(2); and
- (2) the Exchange has a discretion to decide on whether or not any title certificate constitutes a "long term" title certificate.

11.17 For any new applicant, not being a property company as defined in rule 11.16, which has a PRC property that represents a substantial portion of its assets in terms of either asset value or profit contribution, the new applicant must obtain a long-term title certificate for that PRC property.

11.18 In the case of infrastructure companies:—

- (1) an issuer must obtain long-term title certificates for all PRC properties used in infrastructure projects, whether completed or under development; and
- (2) where such companies operate under long-term concessionary arrangements awarded by the government which arrangements do not provide for long-term title certificates to be granted, the Exchange may accept, for the purpose of the listing application, other evidence of the right to use the PRC property in question for the period during which the assets are expected to be operated, depending on the merits of each individual case.

11.19 For any new applicant not being a property company or an infrastructure company, where a PRC property is otherwise significant to the applicant's activities, the applicant will be expected to have the relevant long-term title certificate, unless otherwise permitted by the Exchange.

Other conditions relevant to new applicants

11.20 Subject to rule 11.21 a new applicant must not:—

- (1) have changed the period of its financial year during the latest complete financial year immediately preceding the issue of the listing document; or
- (2) change the period of its financial year during the period of any profit forecast, if any, or the current financial year, whichever is the longer period.

11.21 Notwithstanding rule 11.20, a subsidiary of the new applicant will normally be permitted to change the period of its financial year provided that:—

- (1) the change is to make the subsidiary's financial year coterminous with that of the new applicant;
- (2) appropriate adjustments are made in the trading record and such adjustments are fully explained in statements which must be provided to the Exchange; and
- (3) adequate disclosure is provided in the listing document and the accountants' report of the reason for the change and the effect of the change on the new applicant's group trading record and profit forecast, if any.

11.22 [Repealed 1 July 2008]

Conditions relevant to the securities for which listing is sought

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

- (1) [Repealed 1 July 2008]

- (2) with regard to all equity securities for which a listing is sought, except those specified in sub-paragraphs (3) and (4):—
 - (a) the market capitalisation of such equity securities (determined as at the time of listing) in the hands of the public must be at least HK\$30,000,000; 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);
- (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: (a) such warrants are offered to existing holders of the issuer's shares by way of bonus issue; and (b) in the 5 years preceding the date of the announcement on the proposed bonus issue, there are no circumstances to indicate that the shares of the issuer may be concentrated in the hands of a few shareholders, 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);
- (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;
- (5) [Repealed 1 July 2008]
- (6) the expected total market capitalisation of a new applicant at the time of listing must be at least HK\$100,000,000 which shall be calculated on the basis of all issued shares (including the class of securities for which listing is sought and such other class(es) of securities, if any, that are either unlisted or listed on other regulated market(s)) of the new applicant at the time of listing;
- (7) subject to rule 11.23(10) below, at least 25% of the issuer's total number of issued shares must at all times be held by the public;

- (8) not more than 50% of the securities in public hands at the time of listing can be beneficially owned by the three largest public shareholders, save where: (a) the securities to be listed are options, warrants or similar rights to subscribe or purchase shares; (b) such securities are offered to existing holders of a listed issuer's shares by way of bonus issue; and (c) in the 5 years preceding the date of the announcement on the proposed bonus issue, there are no circumstances to indicate that the shares of the issuer may be concentrated in the hands of a few shareholders;
- (9) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalisation at the time of listing of not less than HK\$30,000,000;
- (10) the Exchange may, at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalisation at the time of listing of over HK\$10,000,000,000, 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, and on condition that the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document and confirm sufficiency of public float in successive annual reports after listing (see rule 17.38A). Additionally, a sufficient portion (to be agreed in advance with the Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong; and
- (11) notwithstanding the requirement that the minimum prescribed percentage of securities must at all times remain in public hands, the Exchange may consider granting a temporary waiver to an issuer which is the subject of a general offer under the Takeovers Code (including a privatisation offer), for a reasonable period after the close of the general offer to restore the percentage. The issuer must restore the minimum percentage of securities in public hands immediately after the expiration of the waiver, if granted.

Notes: 1 [Repealed 1 July 2008]

2 The Exchange will not regard at any time,

- (a) in relation to an issuer other than a PRC issuer, and other than any subsidiaries of a PRC issuer, a director, chief executive or substantial shareholder of such issuer or any of its subsidiaries or a close associate of any of them; or*
- (b) in relation to a PRC issuer, a promoter, director, supervisor, chief executive or substantial shareholder of the PRC issuer or any of its subsidiaries or a close associate of any of them*

as a member of "the public" or shares held by any such person as being "in public hands."

3 The Exchange will also not recognise as a member of "the public":—

- (a) any person whose acquisition of securities has been financed directly or indirectly by a person referred to in note 2 above; or*

- (b) *any person who is accustomed to taking instructions from a person referred to in note 2 above in relation to the acquisition, disposal, voting or other disposition of securities of the issuer registered in his name or otherwise held by him.*
- 4 *[Repealed 1 July 2008]*
- 5 *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 reserves 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 rule 17.36).*
- 6 *Where the percentage has fallen below the minimum, the Exchange may refrain from suspension if the Exchange is satisfied that there remains an open market in the securities and either:*
 - (a) *the shortfall in the prescribed percentage arose purely from an increased or newly acquired holding of the listed securities by a person who is, or after such acquisition becomes, a core connected person only because he is a substantial shareholder of the issuer and/or any of its subsidiaries. Such substantial shareholder must not be a controlling shareholder or single largest shareholder of the issuer. He must also be independent of the issuer, directors and any other substantial shareholders of the issuer and must not be a director of the issuer. If the substantial shareholder has any representative on the board of directors of the issuer, he must demonstrate that such representation is on a nonexecutive basis. In general, the Exchange would expect this to apply to holdings of the listed securities by institutional investors with a wide spread of investments other than in the listed securities concerned. Holdings of the listed securities by private equity or venture capital funds which have been involved in the management of the issuer before and/or after listing would not qualify. It is the responsibility of the issuer to provide sufficient information to the Exchange to demonstrate the independence of such substantial shareholder and to inform the Exchange of any change in circumstances which would affect his independence as soon as it becomes aware of such change; or*
 - (b) *the issuer and the controlling shareholder(s) or single largest shareholder undertake to the Exchange to take appropriate steps to ensure restoration of the minimum percentage of securities to public hands within a specified period which is acceptable to the Exchange.*
- 7 *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 may suspend the securities if there is any unusual price movement.*
- 8 *GEM listed issuers that have been allowed a lower minimum prescribed percentage of public float (including those which have been granted a waiver under repealed GEM Rule 11.23(5)) have a grace period of three years to comply with the public float requirement under rule 11.23. Accordingly, all GEM issuers must comply with the public float requirement by no later than 30 June 2011.*

- 11.24 In the case of any listing application involving the issue of a listing document pursuant to which the issuer proposes to raise new capital in an amount not fully underwritten, the issuer must indicate the minimum amount proposed to be raised which, in the case of a new applicant, must (so far as practicable) be identified by reference to its statement of business objectives, and the listing shall be conditional on such amount being so raised.

Note: Where the listing document refers to an amount proposed to be raised in excess of the minimum amount indicated, the listing document must explain the impact to the issuer and its statement of business objectives of raising such excess amount. In this regard, a statement that the excess will represent working capital shall not be adequate, unless a reasonably detailed explanation is given as to how such working capital is to be applied.

- 11.25 The issued share capital of a new applicant must not include shares of which the proposed voting power does not bear a reasonable relationship to the equity interest of such shares when fully paid ("B Shares"). The Exchange will not be prepared to list any new B Shares issued by a listed issuer nor to allow any new B Shares to be issued by a listed issuer (whether or not listing for such shares is to be sought on the Exchange or any other stock exchange) other than in exceptional circumstances agreed with the Exchange.

- 11.26 The securities for which listing is sought must be freely transferable.

- 11.27 Neither partly-paid shares nor bearer shares will be admissible to listing on GEM.

- 11.28 Derivative warrants of the type referred to in the Main Board Listing Rules will not be admissible to listing on GEM.

- 11.29 (1) In the case of a new applicant or a listed issuer in respect of a class of securities new to listing, the securities for which listing is sought must be Eligible Securities from the date on which dealings in the securities are to commence.

(2) The new applicant or the listed issuer must make all necessary arrangements to comply with sub-paragraph (1).

(3) An issuer shall ensure, so far as it is able, that its listed securities remain Eligible Securities.

- 11.30 Where application for listing is made in respect of any class of securities:—

(1) if none of the securities of that class are already listed, the application must relate to all securities of that class issued or proposed to be issued; or

(2) if some of the securities of that class are already listed, the application must relate to all further securities of that class issued or proposed to be issued.

- 11.31 The issue and listing of the securities for which listing is sought must be in conformity with the law of the place where the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents and all authorisations needed for their creation, issue and listing under such law or documents must have been duly given.

- 11.32 Securities to which options, warrants or similar rights to subscribe or purchase equity securities are attached must comply both with the requirements applicable to the securities for which listing is sought and with the requirements applicable to such options, warrants or similar rights (see Chapter 21).

Basis of allocation

- 11.33 A listing document must disclose full details of the basis on which the issuer proposes to allocate securities, including details of the respective securities in any public and placing tranches (if any). With regard to all securities offered for subscription or sale to the public whether by a new applicant or a listed issuer (excluding, for the avoidance of doubt, securities subject to placing arrangements), the issuer, its directors, Sponsor and underwriters (if applicable) must adopt a fair basis of allocating the same to all persons subscribing or applying for the securities.

Note: See also rules 13.01 and 13.02.

Certainty of offer period in respect of any public offers

- 11.34 Any method of listing involving an offer to the public requires the issuer to set out details relating to the offer period in the listing document (see paragraph 15(3)(f) of Part A and paragraph 18(1) of Part B of Appendix 1).

Note: The Exchange considers the details of an offer period to be a material term of the listing document which must be able to be relied upon by all investors and which should remain the same for all investors. Furthermore, in order to ensure that all investors are treated fairly and equally, and so that there is no confusion or uncertainty surrounding the offer period, the offer period set out in the listing document should not normally be revised or extended.

- 11.35 Any right to revise or extend the offer period or period during which the subscription list is open, as stipulated in the listing document, must:—

- (1) be limited to possible delays caused by a tropical cyclone warning signal or such similar extraneous factors affecting whether the stated closing date is a banking day or not, as are acceptable to the Exchange; and
- (2) be set out in the details included in the listing document; and

subject to any such qualifications acceptable to the Exchange, the closing date of the offer period and the period during which the subscription list is open, as stated in the listing document, may not be revised or extended and may not be subject to any unilateral right on the part of the issuer, the underwriter or any other person to revise or extend such date or period.

Underwriters

- 11.36 The Exchange reserves the right to inquire of an issuer as to the financial suitability of any proposed underwriter (if any) and may reject an application for listing if it is not satisfied as to the underwriter's ability to meet its underwriting commitment.

Chapter 12

EQUITY SECURITIES

APPLICATION PROCEDURES AND REQUIREMENTS

Introduction

- 12.01 This Chapter sets out the procedures and requirements for applications for the listing of equity securities by new applicants and listed issuers. The procedures and requirements are applicable to both new applicants and listed issuers except where otherwise stated.
- 12.02 The Exchange may raise any enquiries or call for any information or documentation in connection with any listing application. Both the Sponsor and the issuer in question are required to respond in a prompt and efficient manner to all such enquiries raised and the issuer shall not (save, in the case of a new applicant, for the express purposes set out in rule 12.15) publish or issue any listing document (if any) until the Exchange confirms that it has no further comments thereon.

Enquiries prior to application

- 12.03 In the context of preparing the application for listing, if the issuer or its Sponsor has any queries on any aspect of the GEM Listing Rules, the Sponsor (or if the issuer is not required to have (or does not otherwise retain) a Sponsor, the issuer) should contact the Listing Division. The Exchange reserves the right to require that any query be submitted to it in writing, accompanied by such information or documentation as the Exchange deems appropriate or necessary.
- 12.04 Responses from the Exchange to any query made of it prior to consideration of any listing application shall not be binding on the Exchange and provide no assurance that the listing application will be approved.

Applications

General

- 12.05 An application must be made to the Exchange for the purposes of listing securities issued by a new applicant and a listed issuer alike.
- 12.06 The Sponsor (or if the issuer is not required to have (or does not otherwise retain) a Sponsor, the issuer) is responsible for lodging the application for listing and all supporting documents and for dealing with the Exchange on all matters arising in connection with the application.
- 12.07 If the listing of a new applicant remains outstanding for more than 6 months after the date of the application form, a new application form together with a further listing fee in the prescribed amount must be submitted to the Exchange. Any initial listing fee paid will, in such circumstances, be forfeited.
- 12.08 If there is a termination or addition of a Sponsor during the vetting process of any listing document to be issued by a new applicant, the applicant must submit a new listing application detailing a revised timetable and, in the case of the new applicant only, a further initial listing fee in the amount specified in Appendix 9. Any initial listing fee paid will, in such circumstances, be forfeited.

Note: (1) [Repealed 1 October 2013]

(2) See also Chapter 4 for other circumstances when a new applicant may be required to submit a new listing application form.

- 12.09 (1) An applicant must submit a listing application form, an Application Proof and all other relevant documents under rules 12.22 and 12.23, and the information in these documents must be substantially complete except in relation to information that by its nature can only be finalised and incorporated at a later date.
- (2) If the Exchange decides this information is not substantially complete, the Exchange will not continue to review any documents relating to the application. All documents, including the Form 5A (except for the retention of a copy of these documents for the Exchange's record) submitted to the Exchange will be returned to the Sponsor. The initial listing fee will be dealt with in the manner described in the note to rule 12.14(4) below.
- (3) For applications which were previously returned by the Exchange, the applicant can only submit a new Form 5A together with a new Application Proof not less than 8 weeks after the Return Decision.

Notes: (1)-(3) [Repealed 1 October 2013]

- (4) The Exchange may require a new applicant to delay the provisional hearing date (see rule 12.12) if, during the review process, the Exchange believes the following cannot be fulfilled by the new applicant at least 4 clear business days before the provisional hearing date:—
- (a) the submission of the revised proof of the listing document containing sufficient and appropriate disclosure of all information required under the GEM Listing Rules;
 - (b) the submission of any outstanding documents as requested by the Exchange; and
 - (c) the Exchange's queries and comments being satisfactorily addressed in a timely fashion.
- (5) During the review process, the Sponsor should not revise the contents of the listing document on a piece-meal basis. A revised proof of the listing document must completely address all the Exchange's comments on the previous proof. The Exchange may elect not to review a revised proof that fails to meet this requirement.
- 12.10 No publicity material on an issue of securities by a new applicant can be released in Hong Kong by a new applicant or its agent unless and until the Exchange has reviewed it and confirmed to the applicant that it has no comments. In addition, the publicity material must comply with all statutory requirements. If the Exchange believes that a new applicant or its advisers have permitted information on the listing of the new applicant's securities to leak, the Exchange will normally delay the application for the listing of those securities. For these purposes:
- (1) publicity material does not relate to an issue of securities if its purpose is the promotion of the issuer or its products or business and not the promotion of the securities to be issued;
 - (2) the following documents do not fall within the scope of this rule and need not be submitted for prior review:
 - (a) an Application Proof published on the GEM website under rule 16.01A;
 - (b) a Post Hearing Information Pack published on the GEM website under rule 16.01B;
 - (c) any statement by a new applicant published on the GEM website stating that no reliance should be placed on any media reports about the new applicant subsequent to the publication of its Application Proof or the Post Hearing Information Pack, as the case may be; and

- (d) the invitation or offering document (or its equivalent) and document that consist of, or are drafts of, or relate to, agreements to be entered into in connection with the issue of the securities. This is provided that any obligations created by these agreements to issue, subscribe, purchase or underwrite the securities are conditional on listing being granted;
 - (3) any publicity material or announcement referring to a proposed listing by a new applicant issued before the Listing Division's hearing of the new applicant's application for listing must state that an application has been or will be made to the Exchange for listing of and permission to deal in the securities concerned; and
 - (4) where any material relating to a proposed listing by a new applicant is released without the Exchange's prior review before the hearing, the Exchange may postpone the hearing by up to 1 month. If this results in the application form being more than 6 months out of date, the applicant will have to submit a new application form and a further listing fee (see rule 12.07).
- 12.11 From the time of submission of the application for listing until listing is granted, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer, except as permitted by rule 10.16. The directors of the issuer shall forthwith notify the Exchange of any such dealing or suspected dealing of which they become aware. If any of the directors or their close associates are found to have engaged in such dealing, the application may be rejected.

Applications by new applicants

- 12.12 The listing application form must contain a draft timetable which is subject to agreement with the Exchange. The Sponsor must contact the Listing Division to ascertain a date ("the provisional hearing date") on which the Listing Division may consider the new applicant's application for listing. The Exchange reserves the right to change the provisional hearing date.
- 12.13 A new applicant must apply for a listing on the prescribed form set out in Appendix 5A.
- 12.14 The listing application form must be accompanied by:—
- (1) the documents, as applicable, stipulated in rules 12.22 and 12.23;
 - (2) [Repealed 1 January 2005]
 - (3) [Repealed 1 October 2013]
 - (4) the initial listing fee in the amount specified in Appendix 9.

Note: If the Exchange returns an application to a Sponsor before the Exchange issues its first comment letter to the Sponsor, the initial listing fee will be refunded; and in other cases the initial listing fee will be forfeited.

- 12.15 A new applicant may not publish or issue any listing document until the Exchange has confirmed that it has no further comments thereon. However, the new applicant is permitted to circulate a draft or preliminary listing document, which is clearly marked as such and which states that it is subject to final review by the Exchange, for the purposes of arranging underwriting.

Applications by listed issuers

12.16 A listed issuer must apply to the Listing Division for the listing of additional equity securities. The application must be on the prescribed form set out in Appendix 5B. In circumstances where the application is required to be supported by a listing document the application must be submitted at least 10 clear business days prior to the date on which the issuer proposes to bulk print the listing document and in circumstances where the application is not required to be supported by a listing document, the application must be submitted at least 4 clear business days prior to the proposed date for issuing the securities. In all cases, the Exchange may require a longer time period to consider the listing application.

12.17 The listing application form must be accompanied by:—

- (1) the documents, as applicable, stipulated in rule 12.26B;
- (2) in circumstances where the listed issuer is required to have (or otherwise retains) a Compliance Adviser (or other adviser appointed pursuant to rule 6A.37), the adviser's declaration of interests in the form set out in Appendix 7H; and
- (3) the subsequent issue fee in the amount specified in Appendix 9.

Further provisions applicable to applications by new applicants and listed issuers

12.18 Where any document that has been submitted is amended after submission, a like number of further copies of that document marked up to show all changes must be submitted to the Listing Division for review at the earliest opportunity. In the case of a new applicant, the final form, or as appropriate signed original, of any document must be lodged with the Exchange at least 4 clear business days prior to the provisional hearing date. No material amendment to the final proof listing document will be allowed without the consent of the Exchange.

12.19 Issuers are reminded that the above requirements are not exhaustive and that a new applicant or listed issuer must also supply any further documents and information which the Exchange may require in a particular case.

12.20 [Repealed 1 July 2008]

12.21 The Exchange retains a discretion to reject any application. In such circumstances, the Exchange shall give written notice of the rejection and the reasons therefor.

Documentary requirements – New Listing Applications

At the time of application for listing

12.22 The following documents, as applicable, must be lodged with the Exchange for review together with the application for listing form in respect of a new applicant:—

- (1) such number of copies of an Application Proof as required by the Exchange and 2 CD-ROMs containing the Application Proof and other documents as the Exchange may require;

- (2) a confirmation from the new applicant's legal advisers that the new applicant's articles of association conform with the relevant parts of Appendices 3 and 11, and on the whole, are not inconsistent with the GEM Listing Rules and the laws of the place where the new applicant is incorporated or otherwise established;
- (3) where the Application Proof contains an accountants' report, an advanced draft of any statement of adjustments relating to the accountants' report;
- (4) [Repealed 1 October 2013]
- (5) a final proof of the formal notice, where applicable;
- (6) a final proof of any application form (including any excess or preferential application form) to subscribe or purchase the securities for which listing is sought;
- (7-12) [Repealed 1 October 2013]
- (13) where the Application Proof is required to contain a statement by the directors as to the sufficiency of working capital, an advanced draft of a letter from its Sponsor, confirming that it is satisfied that the sufficiency of working capital statement in the Application Proof has been made by the directors after due and careful enquiry;
- (14a) where the Application Proof contains a profit forecast (see rules 14.28 to 14.31), a final or an advanced draft of the board's profit forecast memorandum covering the same period of the profit forecast contained in the Application Proof and cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document with principal assumptions, accounting policies and calculations for the forecasts;
- (14b) where the Application Proof does not contain a profit forecast, a final or an advanced draft of the board's profit forecast memorandum covering the period up to the forthcoming financial year end date after the date of listing and cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document with principal assumptions, accounting policies and calculations for the forecasts; and
- (15) a final or an advanced draft of any application for a waiver of any provision of the GEM Listing Rules and the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the Sponsor and the directors/proposed directors.

Note: Unless previously provided, all executed requests for waivers must be submitted at least four clear business days before the expected hearing date.

12.23 In addition to the documents required under rule 12.22, a new applicant must lodge the following documents with the Exchange at the time of submitting the application for listing:—

- (1) [Repealed 1 October 2013]
- (2) in respect of each Sponsor to the application for listing, an undertaking and statement of independence under rule 6A.03 in the form in Appendix 7K duly signed on the Sponsor's behalf, and an undertaking and a declaration of interest under rules 6A.21 and 6A.31 in the forms in Appendix 7M and Appendix 7H, both duly signed on the compliance adviser's behalf;
- (2a) a written confirmation signed by each director/supervisor that the information in the Application Proof is accurate and complete in all material respects and is not misleading or deceptive;
- (2b) a written confirmation and undertaking signed by each director/supervisor and proposed director/supervisor to the following effect:
 - (i) that the Application Proof referred to in rule 12.22(1) above contains all information about the biographical details of such director/supervisor or proposed director/supervisor as set out in rule 17.50(2) and that those details are true, accurate and complete;
 - (ii) where, before dealings commence, there are any changes in the biographical details as set out in rule 12.23(2b)(i) above, to inform the Exchange as soon as practicable of such changes; and
 - (iii) to lodge with the Exchange in accordance with rule 12.26(9) a declaration, undertaking and acknowledgement, in the relevant form in Appendix 6, duly signed by each director/supervisor and proposed director/supervisor.

If a director/supervisor is appointed after the submission of the listing application form, then the director/supervisor must submit a duly signed written confirmation and undertaking referred to in this sub-rule as soon as he is appointed. The reference to the Application Proof referred to in rule 12.22(1) above in the confirmation and undertaking shall be read as a reference to the relevant draft listing document that contains the biographical details of such director/supervisor;

- (3) a certified copy of the new applicant's certificate of incorporation or equivalent document; and
- (4)-(5) [Repealed 1 October 2013]
- (6) any document as may be required by the Exchange in support of the application for listing.
- (a)-(c) [Repealed 1 October 2013]

Before bulk-printing of the listing document

12.23A The following must be lodged with the Exchange by a new applicant before bulk-printing of the listing document:—

- (1) where the listing document is required to contain a sufficiency of working capital statement by the directors, a final letter from its Sponsor, confirming that it is satisfied that the statement in the listing document as to the sufficiency of working capital has been made by the directors after due and careful enquiry and that persons or institutions providing finance have stated in writing that such facilities exist; and
- (2) a final copy of all draft documents which have been submitted to the Exchange in support of the application for listing.

After notification of approval in principle but before the date of issue of the listing document

12.24 The following must be lodged with the Exchange by a new applicant as soon as practicable after the hearing of the application by the Listing Division but on or before the date of issue of the listing document:—

- (1) the signed Sponsor's declaration in Appendix 7G required by rule 6A.13;
- (2) a copy of each of the English and the Chinese language version of the listing document dated and signed by every person who is named therein as a director or proposed director of the new applicant or by his agent authorised in writing and by the secretary and the relevant application form (including any excess or preferential application form) to subscribe or purchase the securities for which the listing is sought;

(a)-(b) [Repealed 1 October 2013]
- (3) where any document or application form referred to in (2) above is signed by an agent, a certified copy of the authorisation or the power of attorney for such signature;
- (4) a copy of the formal notice, where applicable;
- (5)-(7) [Repealed 1 October 2013]

- (8) a copy of the written notification issued by HKSCC stating the securities will be Eligible Securities; and
- (9) any written undertakings and confirmations from the new applicant, its shareholders and/or other relevant parties to the Exchange referred to in the listing document.

(10)(11)[Repealed 1 October 2013]

12.25 In the case of a listing document which constitutes a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the following documents must be lodged with the Exchange by 11 a.m. on the intended date of authorisation of the prospectus:—

- (1) an application for authorisation for registration of the prospectus under section 38D(3) or section 342C(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be);
- (2) 2 printed copies of the prospectus, duly signed in accordance with section 38D(3) or section 342C(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be) and having endorsed on or attached to the documents stipulated by the relevant section; and
- (3) in respect of a Chinese translation of the prospectus, a certificate issued by the translator certifying that the Chinese translation of the English version of the prospectus is true and accurate or in respect of an English translation of the prospectus, a certificate issued by the translator certifying that the English translation of the Chinese version of the prospectus is true and accurate; and in either case, a certificate issued by a competent officer of the Sponsor certifying that the translator is competent to give translations on the prospectus documents.
- (4) [Repealed 1 October 2013]

After the date of issue of the listing document but before dealings commence

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

- (1) [Repealed 1 October 2013]
- (1a) a certified copy of the resolution(s) of the new applicant in general meeting (if any) authorising the issue of all securities for which listing is sought;
- (1b) a certified copy of the resolution(s) of the board of directors or other governing body or any other person to whom it has properly delegated these powers (together, in such cases, with a certified copy of the power of attorney or resolution delegating the powers) authorising the issue and allotment of such securities, the making of the application for listing in Form 5A and, the making of all necessary arrangements enabling such securities to be admitted into CCASS, and approving and authorising the issue of the listing document;

- (2) the completed company information sheet in Appendix 5F, submitted in the electronic format specified by the Exchange from time to time, for publication on the GEM website, together with a hard copy duly signed by or on behalf of each of the directors of the new applicant;
- (3) [Repealed 25 June 2007]
- (4) [Repealed 25 June 2007]
- (5) [Repealed 25 June 2007]
- (6) in the case of a placing of securities by a new applicant:—
 - (a) a copy of the placing letter and separate marketing statements in Appendix 5D signed by each of: (i) the lead broker; (ii) any distributors; and (iii) any Exchange Participant referred to in that Appendix; and
 - (b) a list from each placing broker setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and business registration numbers (where companies) of all its placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each of its placees. Such lists may be supplied directly to the Exchange by each placing broker in order to maintain confidentiality;
- (7) a declaration substantially as in Appendix 5E, duly signed by a director and the secretary of the new applicant together with any fee which is payable and which has not previously been paid (see Appendix 9);
- (8) a declaration substantially as in Appendix 7I duly signed by the Sponsor; and
- (9) a written declaration, undertaking and acknowledgement, in the relevant form in Appendix 6, duly signed by each director/supervisor and proposed director/supervisor.

Documentary Requirements – Applications by Listed Issuers

12.26A Rules 12.26B to 12.27 set out the documentary requirements for applications for the listing of equity securities by listed issuers.

At the time of application for listing

12.26B The following documents, as applicable, must be lodged with the Exchange together with the listing application in accordance with rule 12.16:—

- (1) such number of copies of drafts or proofs of the listing document as the Exchange may require, marked in the margin to indicate where the relevant provisions of the GEM Listing Rules and/or the Companies (Winding Up and Miscellaneous Provisions) Ordinance have been met;
- (2) if the listing document contains an accountants' report, a draft of any statement of adjustments relating to the accountants' report;
- (3) if the listing document contains a profit forecast (see rules 14.28 to 14.31), a draft of the board's profit forecast memorandum with principal assumptions, accounting policies and calculations for the forecast; and

- (4) for issue of new warrants to existing warrant holders, a legal opinion, from a lawyer of the relevant jurisdiction, confirming that the warrant proposal complies with the relevant provisions of the issuer's constitutive documents and the terms of the existing warrant instrument (see rule 21.07(7)).

Before bulk-printing of the listing document

12.26C If the listing document contains a statement as to the sufficiency of working capital, a letter from the issuer's financial advisers or auditors must be submitted to the Exchange before bulk-printing of the listing document, confirming that:

- (1) the statement has been made by the directors after due and careful enquiry; and
- (2) persons or institutions providing finance have stated in writing that such facilities exist.

On or before the date of issue of the listing document

12.26D The following documents must be submitted to the Exchange on or before the date of issue of the listing document:

- (1) every written undertakings from the listed issuer, its shareholders and/or other relevant parties to the Exchange referred to in the listing document;
- (2) for listing of a new class of securities, a copy of the written notification issued by HKSCC stating that the securities will be Eligible Securities; and
- (3) if the 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, the signed declaration in the form set out in Appendix 7J as referred to in rule 6A.35.

*In case of a listing document constituting a prospectus under the Companies
(Winding Up and Miscellaneous Provisions) Ordinance*

12.26E If the listing document constitutes a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the following documents must be submitted to the Exchange:

- (1) at least 10 business days before the proposed date of registration of the prospectus by the Registrar of Companies, notice of the proposed date of registration of the prospectus (see rule 15.09);
- (2) by 11 a.m. on the intended date of authorisation for registration of the prospectus,
 - (a) an application for authorisation for registration of the prospectus under section 38D(3) or section 342C(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be);
 - (b) two printed copies of the prospectus, duly signed in accordance with section 38D(3) or section 342C(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be) and having endorsed thereon or annexed thereto the documents required under the relevant section;

- (c) in respect of a Chinese translation of the prospectus, a certificate issued by the translator certifying that the Chinese translation of the English version of the prospectus is true and accurate or in respect of an English translation of the prospectus, a certificate issued by the translator certifying that the English translation of the Chinese version of the prospectus is true and accurate; and in either case, a certificate issued by the issuer certifying that the translator is competent to have given the certificate as to translations in respect of the prospectus documents; and
 - (d) any power of attorney or other authority under which the prospectus is signed, together with a certified copy thereof; and
- (3) as soon as after the registration of the prospectus, a copy of the letter from the Registrar of Companies confirming the registration (see rule 16.17(2)(b)).

Before dealings commence

12.27 The following documents must be submitted to the Exchange before dealings commence:—

- (1) [Repealed 25 June 2007]
- (2) [Repealed 2 November 2009]
- (3) in the case of securities issued as consideration for shares in a listed company which are acquired pursuant to Division 4 of Part 13 of the Companies Ordinance, a certified copy of the notice given under that section;
- (4) if the listing document provides for a capital reduction, scheme of arrangement or similar proposal requiring the approval of the court, a certified copy of the court order and of any certificate of registration issued by the Registrar of Companies or of any equivalent document;
- (5) a certified copy of the resolution(s) of the board of directors or other governing body or any other person to whom it has properly delegated these powers (together, in such cases, with a certified copy of the power of attorney or resolution delegating the powers) authorising the allotment of such securities, the making of the application for listing in the form set out in Appendix 5B, and where applicable, the making of all necessary arrangements enabling such securities to be admitted into CCASS, and approving and authorising the issue of the listing document;
- (6) in the case of the placing by a listed issuer of a class of securities new to listing:
 - (a) a copy of the placing letter and separate marketing statements in the form set out in Appendix 5D signed by each of: (i) the lead broker; (ii) any distributors; and (iii) any Exchange Participant referred to in that Appendix; and
 - (b) a list from each placing broker setting out the names, addresses and identity card or passport numbers (in the case of individuals) and the names, addresses and registration numbers (in the case of companies) of all its placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each of its placees. Such lists may be supplied directly to the Exchange by each placing broker in order to maintain confidentiality.

In the case of the placing by a listed issuer of a class of securities already listed, the Exchange may require the issuer to submit information on the placees for the purpose of establishing their independence (see also rule 17.30(7));

- (7) if required, a declaration from the security printers responsible for production of bearer documents of title in accordance with paragraph 24 of Part B of Appendix 2;
- (8) a declaration substantially in the form set out in Appendix 5E, signed by a director and the secretary of the issuer together with any fee which is payable and which has not previously been paid (see Appendix 9); and
- (9) the completed company information sheet, in the prescribed form set out in Appendix 5F, submitted in the electronic format specified by the Exchange from time to time, for publication on the GEM website, together with a hard copy duly signed by or on behalf of each of the directors of the issuer.

Chapter 13

EQUITY SECURITIES

RESTRICTIONS ON PURCHASE, DISPOSAL AND SUBSCRIPTION

Restrictions on preferential treatment

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

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

- (1) no preferential terms or treatment as to price or otherwise may be afforded to any place (but not to others), save that with adequate disclosure in the listing document, preferential treatment may be given to placees in respect of the allocation of securities. For the purposes of this rule, the disclosure to be made in the listing document issued in connection with the placing must include details of existing shareholders or directors and their respective close associates (each identified on an individually-named basis) to whom it is proposed to place shares, indicating, in each case, the number and/or proportion of shares to be so placed. The Exchange reserves the right to reject any such proposed arrangements.
- (2) normally no more than 10 per cent of any securities being marketed for which listing is sought may be offered to employees or past employees of the new applicant or its subsidiaries or associated companies and their respective dependents or any trust, provident fund or pension scheme for the benefit of such persons on a preferential basis. Other than the allocation of securities, no preferential terms or treatment as to price or otherwise may be afforded to such employees. Adequate disclosure in the listing document must be made of any arrangement to place shares to such employees (without any need to identify individuals), and the number and/or proportion of shares to be so placed. Any preferential treatment must be approved by the Exchange prior to the marketing and the new applicant concerned may be called upon to supply particulars of such employees, past-employees and their respective dependants and the objects, beneficiaries or members of any trust, provident fund or pension scheme as well as the results of subscription by employees, past-employees, their respective dependants and any trust, provident fund or pension scheme for the benefit of such persons. The new applicant must maintain records of such particulars for a period of not less than 12 months from the date of approval and make the same available for inspection by the Exchange during such period.

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

General

13.03 Subject to the provisions of the Code on Share Buy-backs, an issuer may purchase shares on GEM or on another stock exchange recognised for this purpose by the Commission and the Exchange. All such purchases must be made in accordance with the provisions of rules 13.04 to 13.14. The Code on Share Buy-backs must be complied with by an issuer and its directors and any breach thereof by an issuer will be a deemed breach of the issuer's undertaking to comply with its continuing

obligations under the GEM Listing Rules and the Exchange may in its absolute discretion take such action to penalise any breach of this rule as it shall think appropriate. It is for the issuer to satisfy itself that a proposed purchase of shares does not contravene the Code on Share Buy-backs.

- 13.04 The Exchange reserves the right to prohibit an issuer from making purchases of shares on GEM if the Exchange considers that the issuer has committed a breach of any of the GEM Listing Rules which apply to that issuer. In the event that the Exchange does so prohibit such purchases no Exchange Participant will carry out any such purchases on behalf of the issuer until such prohibition is lifted.
- 13.05 The Sponsor and/or the authorised representatives of the issuer shall respond promptly to any request for information that the Exchange may address to the issuer concerning the purchase of shares, at any time.
- 13.06 For the purposes of rules 13.03 to 13.14 “shares” shall mean shares of all classes and securities which carry a right to subscribe or purchase shares, of the issuer provided that the Exchange may waive the requirements of those rules in respect of any fixed participation shares which are, in the opinion of the Exchange, more analogous to debt securities than equity securities. References to purchases of shares include purchases by agents or nominees on behalf of the issuer or subsidiary of the issuer, as the case may be.

Procedures to be complied with

- 13.07 An issuer may only purchase shares on GEM, either directly or indirectly, if:—
- (1) the shares proposed to be purchased by the issuer are fully-paid up;
 - (2) the issuer has previously sent to its shareholders an Explanatory Statement complying with the provisions of rule 13.08; and
 - (3) its shareholders have given a specific approval or a general mandate to its directors to make the purchase(s), by way of an ordinary resolution which complies with rule 13.09 and which has been passed at a general meeting of the issuer duly convened and held;
- 13.08 The issuer must send to its shareholders an Explanatory Statement (at the same time as the notice of the relevant shareholders’ meeting) containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the issuer of shares including the information set out below:—
- (1) a statement of the total number and description of the shares which the issuer proposes to purchase;
 - (2) a statement by the directors of the reasons for the proposed purchase of shares;
 - (3) a statement by the directors as to the proposed source of funds for making the proposed purchase, which shall be funds legally available for such purposes in accordance with the issuer’s constitutive documents and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;

- (4) a statement as to any material adverse impact on the working capital or gearing position of the issuer (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period, or an appropriate negative statement;
- (5) a statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquiries, any close associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;
- (6) a statement that the directors have undertaken to the Exchange to exercise the power of the issuer to make purchases pursuant to the proposed resolution in accordance with the GEM Listing Rules and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (7) a statement as to the consequences of any purchases which will arise under the Takeovers Code of which the directors are aware, if any;
- (8) a statement giving details of any purchases by the issuer of shares made in the previous 6 months (whether on GEM or otherwise), giving the date of each purchase and the purchase price per share or the highest and lowest prices paid for such purchases, where relevant;
- (9) a statement as to whether or not any core connected persons of the issuer have notified the issuer that they have a present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorised to make purchases of shares;
- (10) a statement giving the highest and lowest prices at which the relevant shares have traded on GEM during each of the previous twelve months; and
- (11) a prominent and legible disclaimer on the front cover of the circular in the form set out in rule 2.19.

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).

2 At the same time as the Explanatory Statement is sent to shareholders of the issuer, the issuer should submit to the Exchange (a) a confirmation from the issuer that the Explanatory Statement contains the information required under rule 13.08 and that neither the Explanatory Statement nor the proposed share repurchase has unusual features; and (b) the undertaking from its directors to the Exchange according to rule 13.08(6).

13.09 The ordinary resolution proposed to shareholders to give the directors of the issuer a specific approval or general mandate to purchase shares must include the following:—

- (1) the total number and description of the shares which the issuer is authorised to purchase, provided that the number of shares which the issuer is authorised to purchase on GEM or on another stock exchange recognised for this purpose by the Commission and the Exchange under the Code on Share Buy-backs, may not exceed 10 per cent of the number of issued shares of the issuer and the total number of warrants to subscribe for or purchase shares (or other relevant class of securities) authorised to be so purchased may not exceed

10 per cent of the warrants of the issuer (or such other relevant class of securities, as the case may be), in each case as at the date of the resolution granting the general mandate; and

Note: If the issuer conducts a share consolidation or subdivision after the repurchase mandate has been approved in general meeting, the maximum number of shares that may be repurchased under the mandate as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

- (2) the dates on which the authority conferred by the resolution will commence and determine. Such authority may only continue in force until:—
- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (b) revoked or varied by ordinary resolution of the shareholders in general meeting,
- whichever occurs first.

13.10 The issuer must report the outcome of the general meeting called to consider the proposed purchases to the Exchange immediately following the meeting.

Dealing restrictions

13.11 The following dealing restrictions must be adhered to:—

- (1) an issuer shall not purchase shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Exchange from time to time;
- (2) an issuer shall not knowingly purchase shares from a core connected person and a core connected person shall not knowingly sell his shares to the issuer, on GEM;
- (3) an issuer shall procure that any broker appointed by the issuer to effect the purchase of shares shall disclose to the Exchange such information with respect to purchases made on behalf of the issuer as the Exchange may request;
- (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:
 - (i) the date of the board meeting (as such date is first notified to the Exchange in accordance with rule 17.48) for the approval of the issuer's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for the issuer to announce its results for any year, half-year or quarter-year period under rules 18.49, 18.78 or 18.79 or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement, the issuer may not purchase its shares on GEM, unless the circumstances are exceptional;

- (5) an issuer shall not purchase its shares on GEM if that purchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage for that issuer (as determined by the Exchange at the time of listing under rule 11.23);
- (6) an issuer shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on GEM; and
- (7) the Exchange may waive all or part of the above restrictions if, in the opinion of the Exchange, there are exceptional circumstances (such as, but without limitation, political or economic events having a material adverse effect on the price of shares of the issuer or issuers listed on GEM generally) justifying the waiver of such restrictions. A waiver may be granted either with respect to a fixed amount of securities of an issuer or generally or on such conditions as the Exchange shall specify and may be expressed to continue for a stated period of time or until further notice.

Subsequent issues

- 13.12 An issuer may not make a new issue of shares or announce a proposed new issue of shares for a period of 30 days after any purchase by it of shares, whether on GEM or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the Exchange.

Reporting requirements

- 13.13 An issuer shall:—

- (1) submit for publication to the Exchange through HKEx-EPS not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a purchase of shares (whether on GEM or otherwise), the total number of shares purchased by the issuer the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on GEM were made in accordance with the GEM Listing Rules and that there have been no material changes to the particulars contained in the Explanatory Statement. In respect of purchases made on another stock exchange, the issuer's report must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange. Such reports shall be made on a return in such form and containing such information as the Exchange may from time to time prescribe. In the event that no shares are purchased on any particular day then no return need be made to the Exchange. The issuer should make arrangements with its brokers to ensure that they provide to the issuer in a timely fashion the necessary information to enable the issuer to make the report to the Exchange; and
- (2) include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on GEM or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the issuer for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

Status of purchased shares

- 13.14 The listing of all shares which are purchased by an issuer (whether on GEM or otherwise) shall, subject to applicable law, be automatically cancelled upon purchase and the issuer must apply for listing of any further issues of that type of shares in the normal way. The issuer shall ensure that the documents of title of purchased shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

Note: Overseas issuers with a dual listing are referred to rule 24.07 which may be relevant in this regard.

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

- 13.15 For the purposes of rules 13.15 to 13.20, the following terms have the following meanings:—

- (1) [Repealed 1 July 2008]
- (2) [Repealed 1 July 2008]
- (3) “listing date” means the date on which securities of the new applicant commence trading on GEM;
- (4) [Repealed 1 July 2008]
- (5) references to a “disposal” (of securities) includes the creation of any option, rights or interests (over such securities) but shall exclude the following:
 - (a) any stock lending arrangement with an underwriter of the initial public offering of the new applicant’s securities which satisfies the following conditions:
 - (i) the stock lending arrangement is fully described in the initial listing document and must be for the sole purpose of covering any short position prior to the exercise of the underwriter’s over-allotment option or similar right;
 - (ii) the maximum number of shares to be borrowed from the relevant shareholder is the maximum number of shares that may be issued upon full exercise of the over-allotment option; and
 - (iii) the same number of shares borrowed is returned to the relevant shareholder within 3 business days after the last day on which the over-allotment option may be exercised or, if earlier, the date on which the over-allotment option is exercised in full; and
 - (b) any placing and issue of securities made in the manner described in rule 20.90(4) during the second six month period of the issuer’s listing date where:
 - (i) there is no change in the number of securities held by the relevant shareholder before and after completion of the placing and issue of securities; and
 - (ii) the placing of securities does not result in a controlling shareholder of the issuer ceasing to be a controlling shareholder after completion of the placing and issue of securities.

13.16 [Repealed 1 July 2008]

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 6 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 6 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.

Any offer for sale contained in a listing document shall not be subject to such restrictions.

- (2) For the purpose of this rule, a person is treated as the beneficial owner of securities if he has the ultimate beneficial ownership or control of the securities, whether through a chain of companies or otherwise.

Note: Controlling shareholder(s) is/are free to purchase additional securities and dispose of securities thus purchased in the relevant period, subject to compliance with the requirements of rule 11.23 to maintain an open market in the securities and a sufficient public float.

13.17 [Repealed 1 July 2008]

13.18 Nothing in rule 13.16A shall prevent the disposal of any interest of a controlling shareholder in the securities referred to in Rule 13.16A (1)(a) in the following circumstances:—

- (1) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance), as security for a bona fide commercial loan;
- (2) pursuant to a power of sale under the pledge or charge (granted pursuant to sub-paragraph (1));
- (3) on the death of the controlling shareholder; or
- (4) in any other exceptional circumstances to which the Exchange has given its prior approval.

13.19 A new applicant shall procure that every controlling shareholder undertakes to the new applicant and the Exchange to comply with the following requirements:—

- (1) in the event that the controlling shareholder pledges or charges any direct or indirect interest in relevant securities under rule 13.18(1) or pursuant to any right or waiver granted by the Exchange pursuant to rule 13.18(4), at any time during the relevant periods specified in rule 13.16A, he must inform the issuer immediately thereafter, disclosing the details specified in rule 17.43(1) to (4); and

- (2) having pledged or charged any interest in securities under sub-paragraph (1) above, he must inform the issuer immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

13.20 An issuer that has been informed of any matter under rule 13.19 must forthwith publish an announcement giving details of the same in accordance with the requirements of rule 17.43.

Restrictions on multiple applications

13.21 Where securities are offered to the public for subscription or purchase, the issuer, its directors, Sponsor and, if applicable, underwriters must take reasonable steps to ensure that multiple or suspected multiple applications are identified and rejected.

Note: Having taken reasonable steps as required by this rule, the issuer, its directors, Sponsor and, if applicable, underwriters will be entitled to rely on the declaration/representations made by an applicant.

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

13.23 An issuer, its directors, Sponsor and, if applicable, underwriters must ensure that it is a term and condition of the offer of the securities (disclosed as such in the listing document and the relevant application form) that by completing and delivering an application form, each applicant warrants that:—

- (1) (if the application is made for his own benefit) no other application is being made for his benefit by him or by anyone applying as his agent or by any other person;
- (2) (if the application is made by him as agent for the benefit of another person) no other application is being made by him as agent for or for the benefit of that person or by that person or by any other person as agent for that person;
- (3) if he signs the application form as agent for someone else, he has due authority to do so on behalf of that other person.

13.24 The application form shall include a warning as follows:—

“Warning:—

Only one application may be made for the benefit of any person.”

and a declaration and representation as follows:—

“I/we hereby declare that this is the only application made and the only application intended by me/us to be made, to benefit me/us or the person for whose benefit I am/we are applying. I/ we understand that this declaration/representation will be relied upon by the issuer in deciding whether or not to make any allotment of shares in response to this application.”

13.25 The application form shall also contain a stipulation to the effect that an application made by an unlisted company which does not carry on any business other than dealing in shares and in respect of which a person exercises statutory control shall be deemed to be an application made for the benefit of that person.

Chapter 14

EQUITY SECURITIES

LISTING DOCUMENTS

Preliminary

14.01 This Chapter sets out the Exchange's requirements for the contents of listing documents relating to equity securities. Issuers are reminded that a listing document which is a prospectus within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance must also comply with and be registered in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Applicants should note that they are required to confirm in their application that all requisite information has been included in the listing document or will be included before the final version is submitted for review.

14.02 In order to allow the Exchange sufficient time to consider an application for listing:—

- (1) [Repealed 1 October 2013]
- (2) listed issuers are reminded that the listing document in anticipated final form must be lodged with the Exchange at least 10 clear business days prior to the intended date of its bulk printing.

No material amendment to the final proof listing document will be allowed without the consent of the Exchange.

14.02A The Exchange shall be authorised by new applicants and listed issuers to file their "applications" (as defined in section 2 of the Statutory Rules) and those corporate disclosure materials within the meaning of sections 7(1) and (2) of the Statutory Rules received by the Exchange with the Commission pursuant to sections 5(2) and 7(3) of the Statutory Rules respectively and new applicants and listed issuers shall be deemed to have agreed to the above by filing such applications and corporate disclosure materials with the Exchange. The authorisation aforementioned 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, the Exchange may require and new applicants and listed issuers shall execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe.

Definition

14.03 A listing document is defined in rule 1.01 as a prospectus, circular or any equivalent document (including the composite document in relation to a scheme of arrangement and/or an introduction document) issued or proposed to be issued in connection with an application for listing. Issuers are recommended to consult the Exchange at the earliest opportunity if they are in any doubt as to whether a particular document constitutes a listing document as so defined.

Disclaimer

14.04 Any listing document must contain on its front cover a prominent and legible disclaimer statement in the form set out in rule 2.19.

GEM characteristics

14.05 Any listing document must contain, at a prominent position in the document, and in bold type, a statement concerning the characteristics of GEM in the form set out in rule 2.20.

When required

14.06 The methods of listing required by the GEM Listing Rules to be supported by a listing document are:—

- (1) an offer for subscription;
- (2) an offer for sale;
- (3) a placing of securities of a class new to listing;
- (4) an introduction;
- (5) a rights issue;
- (6) an open offer;
- (7) a capitalisation issue (including in the form of a scrip dividend) or a bonus issue of warrants;
- (8) an exchange or substitution of securities (arising from consolidation or sub-division of shares or a reduction of share capital or otherwise but excluding a conversion of securities into securities of a class already listed); and
- (9) any deemed new listing under the GEM Listing Rules.

14.07 Other methods of listing are not, save as the Exchange may otherwise direct, required by the GEM Listing Rules to be supported by a listing document, but if a listing document is otherwise required or proposed to be issued it must comply with the relevant requirements of this Chapter.

Contents

14.08 In the case of a new applicant, the listing document is required to include the following:—

- (1) the statements required pursuant to rule 14.04 (disclaimer) and rule 14.05 (GEM characteristics);
- (2) [Repealed 1 July 2008];
- (3) the statement of business objectives, as described in rules 14.19 to 14.21;
- (4) subject to rule 14.11(6), all of the specific items of information which are set out in Part A of Appendix 1;
- (5) appropriate risk factors, taking into consideration the matters set out in rule 14.22;
- (6) if applicable, the information required by virtue of rule 14.10; and

- (7) subject to rule 14.13 and to the extent not included by virtue of the above, such particulars and information which, according to the particular nature of the applicant and the securities for which listing is sought, is necessary to enable an investor to make an informed assessment of:—
 - (a) the activities, profits and losses, assets and liabilities, financial position, management and prospects of the applicant; and
 - (b) the rights and trading arrangements attaching to such securities.

14.09 In the case of an issuer some part of whose share capital is already listed on GEM, the listing document is required to include the following:—

- (1) the statements required pursuant to rule 14.04 (disclaimer) and rule 14.05 (GEM characteristics);
- (2) subject to rule 14.11(1) to (5), all of the specific items of information which are set out in Part B of Appendix 1;
- (3) in circumstances where the listing document is to be issued in conjunction with the raising of new capital by the issuer, appropriate risk factors, taking into consideration the matters set out in rule 14.22;
- (4) if applicable, the information required by virtue of rule 14.10; and
- (5) subject to rule 14.13 and to the extent not included by virtue of the above, such particulars and information which, according to the particular nature of the issuer and the securities for which listing is sought, is necessary to enable an investor to make an informed assessment of:—
 - (a) the activities, profits and losses, assets and liabilities, financial position, management and prospects of the issuer; and
 - (b) the rights and trading arrangements attaching to such securities.

14.10 Special requirements for listing documents issued by overseas issuers and PRC issuers are set out in Chapters 24 and 25 respectively.

14.11 The following items of information may be omitted in the following specific cases:—

- | | |
|--|---|
| (1) rights issues | The following paragraphs of Part B of Appendix 1: 8, 24, 26(1), 26(3), 26(4), 26(5), 37 and 42(4) |
| (2) open offers | As for rights issues |
| (3) capitalisation issues (including in the form of scrip dividends) and bonus issues of warrants | The following paragraphs of Part B of Appendix 1: 3 to 5, 7, 8, 11, 12, 13, 15, 18, 19, 22 to 43 |
| (4) exchanges or substitutions | As for capitalisation issues |
| (5) placings by or on behalf of a listed issuer of securities of a class already listed where a prospectus or other listing document is otherwise required or issued | As for rights issues |

- (6) Listing documents supporting an introduction in the circumstances set out in rule 10.18(3) where the consolidated assets and liabilities of the issuer are substantially the same as the consolidated assets and liabilities of the listed issuer or issuers whose securities have been exchanged

The following paragraphs of Part A of Appendix 1: 8(1), 21, 33, 35 and 37, provided that the information required by paragraph 31(3) of Part B of Appendix 1 is included.

Note: See also rules 24.05(6) and 24.09(5).

14.12 Negative statements are required only where so indicated in Appendix 1.

14.13 The requirements of rule 14.08(7)(a) shall not apply to an introduction in the circumstances set out in rule 10.18(3) and the requirements of rule 14.09(5)(a) shall not apply to a capitalisation issue (including in the form of a scrip dividend) or a bonus issue of warrants, or an exchange or substitution (arising from consolidation or sub-division of shares of securities or a capital reduction of existing listed securities or otherwise).

14.14 The Exchange reserves the right to require disclosure of such additional or alternative items of information as it considers appropriate in any particular case. The Exchange also has the right to permit the omission or modification of items of information to suit the circumstances of a particular case. Where permission is sought to the omission or modification of items of information, the listing document, in the form desired, may not be issued until such permission has been granted by the Exchange. Issuers are encouraged, through their Sponsors where so retained, to seek informal and confidential guidance from the Exchange at the earliest opportunity.

14.15 [Repealed 1 July 2008]

14.16 [Repealed 1 July 2008]

14.17 [Repealed 1 July 2008]

14.18 [Repealed 1 July 2008]

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 half-year reports, and set out at least the following information:—

- (1) general information as to:
 - (a) the overall business objectives of the new applicant; and
 - (b) the market potential for the new applicant's business over the period comprising the remainder of the current financial year of the applicant and the 2 financial years thereafter;
- (2) a detailed description of the new applicant's objectives for each of the products, services or activities (and any other objectives) analysed over the period comprising the remainder of the current financial year of the applicant and the 2 financial years thereafter;

- Notes:*
- 1 *In the event that the applicant wishes to set its business objectives over a longer time frame, it shall be free to do so, provided always that the time frame envisaged is clearly set out in the statement of business objectives.*
 - 2 *The statement of business objectives should specify particular strategies, critical paths or milestones against which the applicant's progress may, in the future, be compared.*
 - 3 *Without prejudice to the generality of Note 2, new applicants are encouraged to include information as to the projected trends which they foresee for their products, services or activities. These projected trends should be:—*
 - (a) *analysed by reference to such of the measurements of progress as the new applicant and its Sponsor decide are appropriate; and*
 - (b) *set out, as far as practicable, in compliance with rule 14.21.*
 - 4 *It is for the Sponsor to assist the new applicant in determining appropriate descriptions of the business objectives and, in particular the measurements of progress in respect of which the new applicant might appropriately project trends for the term of the statement of business objectives.*
 - 5 *New applicants and their Sponsors must be alert to the possibility that projections set out in the statement of business objectives, whether read in isolation or together with other projections or details contained in the statement, may constitute a profit forecast. If a profit forecast is made, the new applicant must comply with the provisions of rules 14.28 to 14.31.*
- (3) a detailed explanation as to how the new applicant proposes to achieve its stated business objectives for the period identified by the new applicant; and
 - (4) a clear explanation of all bases and assumptions (including commercial assumptions) in support of the new applicant's assessment of its market and growth potential, business objectives and/or description of how it proposes to achieve its business objectives.

- Notes:*
- 1 *The bases and assumptions must provide all relevant and useful information to investors to help them in forming a view as to the reasonableness and reliability of the statement of business objectives. Such bases and assumptions should draw the investor's attention to and where possible quantify those uncertain factors which could materially affect the achievement by the new applicant of its business objectives within the time frame indicated.*
 - 2 *The bases and assumptions should be specific rather than general, definite rather than vague. It will not normally be acceptable for assumptions to relate to matters which the directors, by virtue of their particular knowledge and experience in the business, are best able to take a view on or are able to exercise control over.*

14.20 The statement of business objectives need not comprise nor include a profit forecast by the new applicant. However, to the extent that it does comprise or include a profit forecast or should the new applicant otherwise wish to make a profit forecast in the listing document, the new applicant must comply with the provisions set out in rules 14.28 to 14.31.

- 14.21 The information provided in the statement of business objectives should, so far as practicable, be set out by reference to the new applicant's half-year end (in the event this follows listing) and full-year end in respect of its current financial year and the half-year ends and full-year ends of the 2 financial years thereafter.

Note: The purpose of this exercise is to facilitate future comparison between the issuer's statement of business objectives and its actual performance and future published financial information (see rule 18.08A).

Risk factors

- 14.22 In the case of a new applicant, or a listed issuer proposing to issue a listing document in conjunction with the raising of new capital, the listing document should fully set out, explain and give appropriate prominence to any risk factors which should be drawn to shareholders' and prospective investors' attention, having regard, as a minimum, to the following principles:—

- (1) whether or not there are risks that are relevant to the issuer itself, including as to matters such as reliance on particular products or services, the concentration of expertise within the issuer and continued sources of funding;
- (2) whether or not there are risks that are relevant to the issuer's business, including risks attendant with the products, services or activities themselves and risks relevant to the industry or sectors in which the issuer operates; and
- (3) whether or not there are risks on a macro-scale that are relevant to the issuer, including geographic, economic, political and exchange rates, currency controls or other financial risks relevant to the issuer or the markets in which it operates.

Note: Risk factors should be capable of being read in isolation and should not be accompanied by statements or qualifications concerning steps that the issuer proposes to implement in order to alleviate such risks. Information in this regard may however be contained elsewhere in the listing document.

Responsibility

- 14.23 Directors of the issuer, including any proposed director who is named as such in the listing document, are required, collectively and individually, to accept full responsibility for the listing document and a statement (in the form set out in rule 2.18) to this effect must be included in the listing document.

Subsequent events

- 14.24 If at any time after the issue of the listing document or a supplementary listing document as provided for by this rule and before the commencement of dealings in any securities, the issuer becomes aware that:—

- (1) there has been a significant change affecting any matter contained in the listing document;
or
- (2) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the listing document if it had arisen before the listing document was issued,

the issuer shall, as soon as practicable, submit to the Exchange for its review and, once the Exchange has confirmed that it has no further comments thereon, issue a supplementary listing document giving details of the change or new matter, unless the Exchange approves any other course of action. In such circumstances, the Exchange may, at its discretion, withdraw any listing approval granted or impose any conditions which it considers appropriate.

For this purpose “significant” means significant for the purpose of making an informed assessment of the matters mentioned in rules 14.08(7) or 14.09(5).

Language and format

- 14.25 Every listing document must either be in the English language and be accompanied by a Chinese translation or be in the Chinese language and be accompanied by an English translation except that, in the case of a new applicant, the English language version of the listing document may be distributed separately from its Chinese translation or the Chinese language version of the listing document may be distributed separately from its English translation (as the case may be) provided that both are available at each place where, and for so long as, the distribution of such documents takes place.
- 14.26 The information contained in the listing document should be clearly presented and should be in the plain language format specified or recommended by the Exchange and/or the Commission from time to time.

Illustrations

- 14.27 A listing document may include illustrations of a pictorial or graphic nature provided that such illustrations are not misleading or likely to mislead in the form and context in which they are included.

Profit forecasts

- 14.28 No listing document is required to contain a profit forecast. No listing document may contain any reference (general or particular) to future profits or contain dividend forecasts based on an assumed future level of profits unless supported by a formal profit forecast. Dividend forecasts not based on assumed future profits are not subject to this rule.
- 14.29 The issuer must determine in advance with its financial adviser or Sponsor whether to include a profit forecast in a listing document. Where a profit forecast appears in any listing document, it must be clear, unambiguous and presented in an explicit manner and the principal assumptions, including commercial assumptions, upon which it is based, must be stated. The accounting policies and calculations for the forecast must be reviewed and reported on by the reporting accountants and their report must be set out. The Sponsor or financial adviser must report in addition that it has satisfied itself that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out.

A “profit forecast” for this purpose means any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses either expressly or by reference to previous profits or losses or any other benchmark or point of reference. It also includes any profit estimate, being any estimate of profits or losses for a financial period which has expired but for which the results have not yet been audited or published. Any valuation of assets (except for property interests (as defined in rule 8.01(3)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows is regarded as a profit forecast.

- 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, half or quarter year-end will not be permitted.
- 14.31 The assumptions upon which any profit forecast appearing in a listing document are based must provide useful information to investors to help them in forming a view as to the reasonableness and reliability of the forecast. Such assumptions should draw the investors' attention to, and where possible quantify, those uncertain factors which could materially disturb the ultimate achievement of the forecast. The assumptions should be specific rather than general, definite rather than vague. All embracing assumptions and those relating to the general accuracy of the estimates made in the profit forecast should be avoided. Furthermore it will not normally be acceptable for assumptions to relate to matters which the directors, by virtue of their particular knowledge and experience in the business, are best able to take a view on or are able to exercise control over since such matters should be reflected directly in the profit forecast itself.

Chapter 15

EQUITY SECURITIES

PROSPECTUSES

Preliminary

- 15.01 Issuers are reminded that a listing document which is a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance must both comply with the GEM Listing Rules and, where required, comply with and be registered in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The GEM Listing Rules are entirely independent of and without prejudice to the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance relating to prospectuses. Accordingly, compliance with the GEM Listing Rules does not guarantee compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance nor does it guarantee that such prospectus will be authorised by the Exchange for registration by the Registrar of Companies.
- 15.02 This Chapter discusses the Exchange's role in respect of its authorisation of a prospectus for registration by the Registrar of Companies and sets out some procedural requirements which must be complied with in respect of a prospectus which is to be authorised by the Exchange.

Transfer of functions

- 15.03 The Commission's functions under sections 38B(2A)(b), 38D(3) and (5) and 342C(3) and (5) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent that they relate to any prospectus which is concerned with any shares or debentures of a company that have been or are proposed to be approved for listing on GEM, and the power to charge and retain the fees which would have been payable to the Commission in respect of any such prospectus under the Commission's fees rules, have been transferred to the Exchange by order of the Chief Executive in Council pursuant to section 25 of the Securities and Futures Ordinance (the "Transfer Order").
- 15.04 Under the terms of the Transfer Order the Exchange shall vet every prospectus which relates to shares and debentures that have been or are proposed to be approved for listing on the Exchange and shall have the authority to authorise the registration of such a prospectus by the Registrar of Companies under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Compliance with Companies (Winding Up and Miscellaneous Provisions) Ordinance

- 15.05 To ensure compliance, issuers are urged to seek advice from their legal advisers. Issuers are reminded that compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance remains their primary responsibility and that they will not be absolved from any liability by virtue only of the submission of a prospectus to the Exchange for vetting or the issue by the Exchange of a certificate authorising registration.

Certificates of exemption

- 15.06 The Commission's power to grant certificates of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance has not been transferred to the Exchange.

Abridged prospectuses

- 15.07 The Commission's powers under section 38B(2A)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to authorise in any particular case the form and manner of publication of any extract from or abridged version of a prospectus, have been transferred to the Exchange in so far as they relate to shares or debentures that have been approved for listing on the Exchange.

Procedural requirements

- 15.08 On making an application for listing in accordance with rule 12.05, the draft prospectus must be passed to the Listing Division. The Listing Division may promulgate from time to time procedures to be followed in the submission of prospectuses for vetting.
- 15.09 Every listed issuer must notify the Listing Division at least 10 clear business days in advance of the date on which it is proposed to register a prospectus.
- 15.10 The Exchange will review a prospectus for compliance with the GEM Listing Rules concurrently with the review of the prospectus for compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Exchange will not authorise a prospectus for registration by the Registrar of Companies until it is satisfied that it has no further comments on such prospectus in respect of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements and is prepared to grant a listing for the securities to which such prospectus relates.
- 15.11 If the Exchange is satisfied that the prospectus delivered to it pursuant to rules 12.25 and 12.26E(2) should be authorised for registration pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, it will issue a certificate under section 38D(5) or section 342C(5) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be). It is the responsibility of the issuer to deliver the prospectus and any ancillary documents to the Companies Registry for registration pursuant to section 38D(7) or section 342C(7) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be).

Note: The issue of the certificate of authorisation by the Exchange does not constitute a form of confirmation that the prospectus complies with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Nor does the issue of the certificate constitute registration of a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Issuers must ensure that a copy of the prospectus, complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, has been registered by the Registrar of Companies before it is issued. Under no circumstances should the certificate of authorisation issued by the Exchange be relied upon as evidence either of compliance with the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or of registration.

Chapter 16

EQUITY SECURITIES

PUBLICATION REQUIREMENTS

Role of the Exchange

- 16.01 Subject to rule 12.15, no listing document may be issued until the Exchange has confirmed to the issuer that it has no further comments thereon.
- 16.01A A new applicant must publish its Application Proof on the GEM website in accordance with rule 16.17 and Practice Note 5.
- 16.01B A new applicant must publish its Post Hearing Information Pack on the GEM website in accordance with rule 16.17 and Practice Note 5.
- 16.02 The Exchange reserves the right to oblige listed issuers to issue supplementary particulars and/or clarification announcements in circumstances where the Exchange is of the view that an issuer has failed to comply, in full, with the requirements of the GEM Listing Rules.
- 16.03 Any publication by an issuer pursuant to the GEM Listing Rules must be made in both the English and Chinese languages unless otherwise stated.

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 GEM Listing Rules:—
- (1) all announcements including notices required under the GEM Listing Rules, must be submitted for publication on the GEM website in accordance with rules 16.17 and 16.18;
 - (2) all listing documents, annual reports and accounts (and, where applicable, summary financial reports), half-year reports (and, where applicable, summary half-year reports) and quarterly reports, and all circulars to shareholders required under the GEM Listing Rules, must be submitted for publication on the GEM website in accordance with rules 16.17 and 16.18; and
 - (3) all other documents which, in the case of a listed issuer, are corporate communications required under the GEM Listing Rules and, in the case of a new applicant, are required to be published under the GEM Listing Rules in connection with its application for listing must be submitted for publication on the GEM website in accordance with rules 16.17 and 16.18.
- 16.04A(1) Subject to the provisions set out in this rule 16.04A, any requirement in the GEM Listing Rules for a listed issuer to send, mail, dispatch, issue, publish or otherwise make available any corporate communication may, to the extent permitted under all applicable laws and regulations and the listed issuer's own constitutional documents, be satisfied by the listed issuer sending or otherwise making available the corporate communication to the relevant holders of its securities using electronic means and any requirement in the GEM Listing Rules that a corporate communication of a listed issuer must be in printed form may be satisfied by the corporate communication being in electronic format.

- (2) Other than as permitted under rule 16.04A(2A) in relation to a corporate communication published on the listed issuer's own website pursuant to rule 16.19, the corporate communication may be sent or otherwise made available by the listed issuer to a holder of its securities using electronic means (which term includes sending or otherwise making available the corporate communication to the holder in electronic format) only where the listed issuer has previously received from that holder an express, positive confirmation in writing that the holder wishes to receive or otherwise have made available to the holder the corporate communication by the means and in the manner proposed by the listed issuer.
- (2A) (a) To the extent that:
- (i) the shareholders of the listed issuer have resolved in general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website; or
 - (ii) the listed issuer's constitutional documents contain provision to that effect,
- a holder of the listed issuer's securities in relation to whom the following conditions are met is taken to have agreed that the listed issuer may send or supply corporate communications to him in that manner.
- (b) The conditions are that:
- (i) the holder has been asked individually by the listed issuer to agree that the listed issuer may send or supply corporate communications generally, or the corporate communication in question, to him by means of the listed issuer's own website; and
 - (ii) the listed issuer has not received a response indicating the holder's objection within the period of 28 days beginning with the date on which the listed issuer's request was sent.
- (c) A holder is not taken to have so agreed if the listed issuer's request:
- (i) did not state clearly what the effect of a failure to respond would be; or
 - (ii) was sent less than 12 months after a previous request made to him for the purposes of this rule 16.04A(2A) in respect of the same class of corporate communications.
- (d) The listed issuer must notify the intended recipient of:
- (i) the presence of the corporate communication on the website;
 - (ii) the address of the website;
 - (iii) the place on the website where it may be accessed; and
 - (iv) how to access the corporate communication.
- (e) The corporate communication is taken to be sent:
- (i) on the date on which the notification required under rule 16.04A(2A)(d) is sent; or
 - (ii) if later, the date on which the corporate communication first appears on the website after that notification is sent.

- (3) A listed issuer which, availing itself of this rule 16.04A, sends or otherwise makes available a corporate communication to holders of its securities using electronic means must:
- (a) afford holders the right at any time by reasonable notice in writing served on the listed issuer to change their choice (whether by positive consent or deemed consent under rule 16.04A(2A)) as to whether they wish to receive corporate communications in printed form or using electronic means. The listed issuer must set out in each such corporate communication the steps for notifying the listed issuer of any such change together with a statement expressly informing holders that:
 - (i) holders may at any time choose to receive corporate communications either in printed form or using electronic means; and
 - (ii) holders who have chosen (or are deemed under rule 16.04A(2A) to have chosen) to receive the corporate communication using electronic means and who for any reason have difficulty in receiving or gaining access to the corporate communication will promptly upon request be sent the corporate communication in printed form free of charge; and
 - (b) without prejudice to their right to use any other written means of communication for such purpose, provide holders of its securities with the option of notifying the listed issuer by email of any change in their choice as to whether they wish to receive corporate communications in printed form or using electronic means or of any request to receive the corporate communication in printed form. The listed issuer must provide holders of its securities with an email address for this purpose.

Note: It is the sole responsibility of the listed issuer to ensure that any proposed arrangement is permitted under, and that the listed issuer will at all times comply with, all applicable laws and regulations and the listed issuer's own constitutional documents.

- 16.04B(1) Any requirement in the GEM Listing Rules for a listed issuer to send, mail, dispatch, issue, publish or otherwise make available any corporate communication in both English and Chinese may, where the listed issuer has made adequate arrangements to ascertain whether or not a holder of its securities wishes to receive the English language version only or the Chinese language version only and to the extent permitted under applicable laws and regulations and the listed issuer's own constitutional documents, be satisfied by the listed issuer sending the English language version only or the Chinese language version only (in accordance with the holder's stated wish) to the holder concerned. Any arrangement by the listed issuer to ascertain a holder's wish must afford the holder the choice of receiving the English language version only, the Chinese language version only or both the English language version and the Chinese language version.
- (2) A listed issuer which, availing itself of this Rule 16.04B, sends the English language version only or the Chinese language version only of a corporate communication to holders of its securities must afford holders the right at any time by reasonable notice in writing served on the listed issuer to change their choice as to whether they wish to receive the English language version only, the Chinese language version only or both the English language version and the Chinese language version. The listed issuer must set out in each such corporate communication the steps for notifying the listed issuer of any such change together with a statement expressly informing holders that they may at any time choose to receive the English language version only, the Chinese language version only or both the English language version and the Chinese language version notwithstanding any wish to the contrary previously conveyed to the listed issuer.

Note: By way of an example and without prejudice to the generality of the above, the Exchange will normally regard as adequate an arrangement along the following lines:

- (1) A letter, together with a pre-paid reply form (the "First Letter") in both English and Chinese, is sent by the listed issuer to holders of its securities to enable them to select either an English language version or a Chinese language version or both versions of the corporate communication. The First Letter clearly explains the consequential arrangement (see (3) below) if no reply is received from such holders by a certain date (the "Deadline").*
- (2) The listed issuer sends the selected language version of the corporate communication to those holders who have made a selection.*
- (3) If no reply is received on or before the Deadline, the following arrangements apply, where applicable :—*
 - (a) the English language version of the corporate communication is sent to: (i) all overseas holders; and (ii) all Hong Kong holders other than natural persons with a Chinese name; and*
 - (b) the Chinese language version of the corporate communication is sent to all Hong Kong holders who are natural persons with a Chinese name.*

Whether a holder is a Hong Kong or an overseas person will be determined by his or its address as appearing in the listed issuer's register of securities holders.

- (4) When the corporate communication is sent out according to the arrangements set out in (3) above, a letter, together with a pre-paid request form (the "Second Letter") in both English and Chinese, is attached to or printed at some prominent place in the sent out versions of the corporate communication stating that the corporate communication prepared in the other language will be available upon request.*
- (5) Both the English language version and the Chinese language version of the corporate communication is made available on the listed issuer's website in an accessible format and a copy in electronic format of the corporate communication in both languages is submitted to the Exchange in accordance with the publication requirements of Chapter 16.*
- (6) The listed issuer provides a dial-up hotline service or other equivalent public communication channel acceptable to the Exchange to enable holders to make enquiry of the listed issuer's proposed arrangements.*
- (7) The First Letter and the Second Letter mention that the corporate communication will be available in both languages on the listed issuer's website and a dial-up hotline service or other equivalent public communication channel will be provided as mentioned in (5) and (6) respectively.*
- (8) The listed issuer makes a public announcement stating the proposed arrangements at the same time as the First Letter is dispatched to holders.*

16.04C Listing documents published by a new applicant must include copies available in printed form. A new applicant may, to the extent permitted by law and its own constitutional documents, make additional copies available to the public on CD ROM (together with the relevant application form in electronic form on the same CD ROM).

Where the new applicant has made additional copies available in electronic form on CD ROM, the new applicant must ensure that:

- (a) the CD ROM includes:
 - (i) a confirmation that the contents of the listing document and relevant application form in electronic form and in printed form are identical; and
 - (ii) a confirmation that the listing document and relevant application form are also available in printed form and the addresses of the locations where they are available; and
- (b) any supplemental listing documents or subsequent amendments to the listing document are also made available in both printed form and on CD ROM and the new applicant must also comply with (a) above with all references to “listing document” and “application form” being construed as references to the supplemental listing document and relevant application form or subsequent amendment to the listing document and relevant application form.

Publication of electronic form prospectus and printed application form

- 16.04D(1) Where an issuer intends to rely on section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap.32L) (“Class Exemption Notice”) and issue a printed application form for its equity securities with an electronic form prospectus displayed on certain websites (“Mixed Media Offer”), it must satisfy all the conditions in the Class Exemption Notice. Where the issuer publishes any announcement under the Class Exemption Notice, the announcement must be published in accordance with rules 16.17 and 16.18. There is no need to clear the announcement with the Exchange.
- (2) Where the issuer intends to offer equity securities to the public relying on the Class Exemption Notice, the information required by rule 16.09(3) shall be replaced by the following information:
 - (a) that the issuer intends to rely on the Class Exemption Notice and issue a printed application form for its equity securities without it being accompanied by a printed form prospectus relating to the offer;
 - (b) that throughout the offer period, prospective investors may access and download the electronic form prospectus relating to the offer from either the issuer’s website or the GEM website;
 - (c) the address of each of the issuer’s website and the GEM website, the place on the website where the electronic form prospectus may be accessed and how that prospectus may be accessed;
 - (d) that throughout the offer period, copies of the printed form prospectus will be available for collection at specified locations, free of charge, upon request by any member of the public;
 - (e) the particulars of the specified locations; and

Note: "Specified locations" means:

- (1) *In the case of a listed issuer, the depository counter of HKSCC, the designated branches of the receiving banks specified in the prospectus, if any, and the place of business of the issuer's approved share registrar in Hong Kong.*
- (2) *In the case of a new applicant, the depository counter of HKSCC, the designated branches of the receiving banks specified in the prospectus, if any, and the principal place of business of the sponsors acting in respect of the application for listing of the equity securities.*

- (f) that throughout the offer period, at least 3 copies of the printed form prospectus will be available for inspection at every location where the printed application forms are distributed.

16.05 No announcement, notice or other document that is required to be cleared by the Exchange may be published, or submitted for publication on the GEM website in accordance with rules 16.17 and 16.18 until the Exchange has confirmed that it has no further comments thereon.

16.06 The Exchange reserves the right to require an issuer to publish any announcement, notice or other document in any format or manner as may from time to time be prescribed by the Exchange, including by way of paid announcement in any gazetted newspapers.

Note: Any issuer is at liberty to publish in the newspapers any announcement, notice or other document that has been cleared for publication by the Exchange.

Formal notice on issue

16.07 In the following cases, a formal notice stating the information set out in rule 16.09 must be published on the GEM website on the date of issue of the listing document:—

- (1) an offer for subscription or an offer for sale;
- (2) a placing by or on behalf of a new applicant where 20% or more of the amount placed is made available directly to the general public; or
- (3) a placing by or on behalf of a listed issuer of securities of a class new to listing where 20% or more of the amount placed is made available directly to the general public.

16.08 In the following cases, a formal notice stating the information set out in rule 16.09 must be published on the GEM website, not less than 2 clear business days before dealings commence:—

- (1) a placing by or on behalf of a new applicant which does not fall within rule 16.07(2);
- (2) a placing by or on behalf of a listed issuer of securities of a class new to listing which does not fall within rule 16.07(3);
- (3) an introduction by or on behalf of a new applicant of any class of securities;

- (4) an introduction by or on behalf of a listed issuer of securities of a class new to listing; or
- (5) an issue by a listed issuer of securities of a class new to listing which does not fall within any of rule 16.07 or sub-paragraphs (1) to (4) above.

16.09 A formal notice required for publication on the GEM website in accordance with rules 16.07 or 16.08 must state at least the following:—

- (1) the name and country of incorporation or other establishment of the issuer;
- (2) the amount and title of the securities for which listing is sought;
- (3) the address(es) at which copies of any listing document, if any, are available to the public;

Note: Where the issuer intends to rely on the Class Exemption Notice to make a Mixed Media Offer referred to in rule 16.04D, rule 16.04D(2) replaces this sub-rule.

- (4) the date of publication of the notice;
- (5) in the case of a placing, the names of the lead broker and, if applicable, any distributor(s);
- (6) a statement that application has been made to the Exchange for listing of and permission to deal in the securities;
- (7) a statement that the formal notice appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities;
- (8) in the cases set out in rule 16.07 a statement that applications will only be considered on the basis of the listing document;
- (9) the date upon which dealings in the securities are expected to commence; and
- (10) the name and address of the Sponsor (if applicable).

16.10 Model forms of formal notices for offers for subscription or sale, placings and introductions are set out in Appendix 10 for the guidance of issuers. Issuers are reminded that where a prospectus has been registered with the Registrar of Companies pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, every formal notice must comply with Section 38B of that Ordinance.

16.11 In all cases where the listing document is published in the newspapers, it must be accompanied by a statement that copies of the listing document are available to the public at a stated address or addresses for a reasonable period (being not less than the offer period) and sufficient copies of the listing document must be available at such address or addresses to meet public demand during the period.

16.12 In all cases where a formal notice is required by virtue of rules 16.07 or 16.08, the issuer must ensure that sufficient copies of the listing document, if any, are available to the public, free of charge, at the address(es) referred to in rule 16.09(3) to satisfy public demand, for a reasonable period (in the cases set out in rule 16.07, not being less than the offer period and, in every other case, not being less than 14 days) from the date on which the formal notice is published.

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 close 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 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session 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 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.

- 16.14 In the case of an offer for subscription or an offer for sale by tender, an announcement of the striking price must be published on the GEM website as soon as possible, but in any event not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the date on which the allotment letters or other relevant documents of title are posted.

- 16.15 In the case of a rights issue, an announcement of the results of the issue (including the extent to which securities have been allotted to the underwriters (if any) and their close associates) and of 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 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the date on which the allotment letters or other relevant documents of title are posted.

- 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.

Publication on the GEM website

16.17 After the Listing Division has confirmed that it has no further comments on any draft announcement, notice or other document, the issuer must submit the cleared version to the Exchange, for publication on the GEM website. The cleared version must be submitted in sufficient time so as to enable it to be published on the GEM website in accordance with any time limit prescribed by the GEM Listing Rules. For any announcement, notice or other document required by the GEM Listing Rules to be published on the GEM website but which is not required to be cleared by the Exchange, the issuer must submit the final version of the document. In this regard, the following must be adhered to:

- (1) (a) A listed issuer or a new applicant which is obliged to publish for the purposes of the GEM Listing Rules any announcement or notice must submit through HKEx-EPS a ready-to-publish electronic copy of the document to the Exchange for publication on the GEM website.

Note: Regard must be had to the operating hours of HKEx-EPS from time to time.

- (b) In the case of a new applicant, a written confirmation to the Exchange from each of the sponsors confirming that the announcement or notice has been cleared by the Exchange (where such clearance is required under the GEM Listing Rules) or that the document is required to be published by the new applicant (where such clearance is not so required), must be received by the Exchange prior to the announcement or notice being submitted through HKEx-EPS for publication.
- (c) All announcements or notices which are published in the newspapers by an issuer pursuant to the GEM Listing Rules must state that it is available for viewing on the GEM website and the issuer's own website giving details as to where on these websites it is to be found (to the fullest extent known at the time of publication of the announcement or notice).
- (d) Where a listed issuer requests a trading halt or suspension of trading in its securities and the trading halt or suspension has been effected, the listed issuer must immediately submit through HKEx-EPS to the Exchange for publication on the GEM website a ready-to-publish electronic copy of an announcement informing that trading in the securities of the listed issuer has been halted or suspended and setting out briefly the reason for the trading halt or suspension.
- (2) (a) Other than where a prospectus is to be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listed issuer or new applicant must submit to the Exchange through HKEx-EPS for publication on the GEM website a ready-to-publish electronic copy of any corporate communication which is required by the GEM Listing Rules (including any listing document of a listed issuer or new applicant which is not to be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance). The electronic copy must be received by the Exchange before the day on which it is sent to shareholders by the listed issuer or distributed to the public in the case of a new applicant.
- (b) Where a prospectus is to be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the listed issuer or new applicant must submit to the Exchange through HKEx-EPS for publication on the GEM website a ready-to-publish electronic copy of each of the prospectus and any application forms. The copies must be submitted to the Exchange at the same time as they are sent to shareholders by the listed issuer or, in the case of a new applicant, their distribution to the public commences. They must be submitted only after the issuer has received the letter from the Companies Registry confirming registration of the prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The issuer must also promptly submit a copy of the letter to the Exchange for its records.

- 16.18 (1) All electronic copies of documents submitted by an issuer through HKEx-EPS to the Exchange for publication on the GEM website must be virus-free with all words being text-searchable and the document printable. The layout and contents of each page on the electronic copy of the documents submitted to the Exchange for publication on the GEM website must be the same as the layout and contents of the corresponding page of the document as published by the issuer (whether in the newspapers, on its own website, as sent to shareholders or otherwise).
- (2) When submitting a document through HKEx-EPS for publication on the GEM website, the issuer must select all such headlines as may be appropriate from the list of headlines set out in Appendix 17 (which is also displayed in HKEx-EPS) and input into the designated free-text field in HKEx-EPS the same title as appears in the document. The GEM Listing Committee has delegated to the Executive Director – Listing Division the power to approve such amendments to Appendix 17 as he may consider necessary or desirable.
- (3) (a) Announcement or notice must not be published on the GEM website:
- between 8:30 a.m. and 12:00 noon and between 12:30 p.m. and 4:30 p.m. on a normal business day; and
 - between 8:30 a.m. and 12:30 p.m. on the eves of Christmas, New Year and the Lunar New Year when there is no afternoon session,
- except for:
- (i) [Repealed 10 March 2008];
 - (ii) announcements made solely under rule 16.17(1)(d);
 - (iii) announcements made solely under rule 17.12, rule 17.13 or rule 31.06;
 - (iv) announcements made in response to the Exchange's enquiries of the issuer under rule 17.11 or rule 31.05 if in the announcement the issuer only provides the negative confirmations required under rule 17.11(2) or rule 31.05(2), or refers to its previously published information;
 - (v) announcements made in response to media news or reports under rule 17.10 or rule 31.04(2) if in the announcement the issuer only denies the accuracy of such news or reports and/or clarifies that only its previously published information should be relied upon; and
 - (vi) announcements relating to suspension and resumption of a Mixed Media Offer applicable to public offers of equity securities and debt securities (see rules 16.04D and 29.21B).
- (b) Subject to rule 16.18(3)(c), where a document is required to be published in both the English and Chinese language, the issuer must submit the ready-to-publish electronic copy of both the English and Chinese versions of that document together to the Exchange for publication on the GEM website.
- (c) In the case of the English and Chinese versions of a listing document or annual report submitted by an issuer to the Exchange for publication on the GEM website, the issuer must submit the ready-to-publish electronic copy of one version immediately after submission of the other version.

- (4) Issuers must comply with such requirements as the Exchange may from time to time determine and promulgate with regard to format, timing, procedure or otherwise for publication and submission of documents to the Exchange.

Note: The Exchange accepts no responsibility for any defects in the content or format of any document submitted for publication on the GEM website and accepts no responsibility for any delay or failure in publication. It is the sole responsibility of the issuer to ensure that all material submitted by it or on its behalf for publication on the GEM website is accurate.

- 16.19 (1) Every issuer must have its own website on which it must publish any announcement, notice or other document published under rule 16.17 on the GEM website. The publication should be at the same time as publication of the electronic copy of the document on the GEM website. An issuer is not required to publish an Application Proof or Post Hearing Information Pack on its own website. In any event:

- (a) where the electronic copy of the document is published after 7:00 p.m. on the GEM website, publication on the issuer's own website must not be later than 8:30 a.m. on the business day next following such publication; and
- (b) where the electronic copy of the document is published at any other time on the GEM website, publication on the issuer's own website must not be later than 1 hour after such publication.

Note: The issuer's website does not need to be hosted on a domain owned or maintained by the issuer. The issuer's website may be hosted on a third-party domain so long as the website is assigned a dedicated location on the Worldwide Web and the issuer's website may be managed by third-party on behalf of the issuer.

- (2) The issuer must ensure that any document published on its website pursuant to the GEM Listing Rules remains available on its website on a continuous basis for at least 5 years from the date of first publication. The public must be able to access these documents on the website free of charge.
- (3) [Repealed 1 January 2013]

Miscellaneous

- 16.20 All issuers shall retain hard copies of each announcement, notice or document issued by it pursuant to the GEM Listing Rules for a minimum period of 7 years from the date of such announcement.

- 16.21 Any announcement, notice or other document published on the GEM website will remain on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication.

Chapter 17

EQUITY SECURITIES

CONTINUING OBLIGATIONS

Preliminary

- 17.01 An issuer shall comply (and undertakes by its application for listing (Appendix 5A), once any of its securities have been admitted to listing, to comply) with the GEM Listing Rules in force from time to time.
- 17.02 The continuing obligations in this Chapter are primarily to ensure the maintenance of a fair and orderly securities market and that all market users have simultaneous access to the same information. Issuers must keep the holders of their securities (and the public) fully informed of material factors which might affect their interests and treat the holders of their securities in a proper manner.
- 17.03 An issuer's directors are collectively and individually responsible for ensuring the issuer's full compliance with the GEM Listing Rules.
- 17.04 The directors should seek advice and guidance from the issuer's Sponsor (as long as the issuer is obliged to retain, or otherwise retains, the services of a Sponsor) regarding the issuer's obligation to comply with, and the manner and extent of compliance with, the GEM Listing Rules. They should take such advice and guidance into account.
- 17.05 Any announcement an issuer is required to make under the GEM Listing Rules must be made according to the publication requirements in Chapter 16, unless otherwise stated.

Continuing disclosure obligations

Introduction

- 17.06 (1) The Exchange has a duty under section 21 of the Securities and Futures Ordinance to ensure, so far as reasonably practicable, an orderly, informed and fair market.
- (2) The Inside Information Provisions impose statutory obligations on listed issuers and their directors to disclose inside information as soon as reasonably practicable after the information has come to the listed issuers' knowledge, and gives the Commission the responsibility for enforcing those obligations. The Commission has issued Guidelines on Disclosure of Inside Information. The Exchange will not give guidance on the interpretation or operation of the SFO or the Guidelines.
- (3) Where the Exchange becomes aware of a possible breach of the Inside Information Provisions, it will refer it to the Commission. The Exchange will not itself take disciplinary action under the GEM Listing Rules unless the Commission considers it not appropriate to pursue the matter under the SFO and the Exchange considers action under the Rules for a possible breach of the Rules appropriate.
- 17.07 (1) This Chapter identifies circumstances in which an issuer must disclose information to the public. These are not alternatives to, and do not in any way detract from, the statutory disclosure obligation found in the Inside Information Provisions.

- (2) The Exchange may require the issuer to make an announcement or halt trading in its listed securities where it considers it appropriate to preserve or ensure an orderly, informed and fair market.
- (3) The Exchange, in discharge of its duty under section 21 of the SFO, will monitor the market, make enquiries when it considers them appropriate or necessary, and may halt trading in an issuer's securities in accordance with the GEM Listing Rules as required.

17.07A An issuer and its directors must take all reasonable steps to maintain strict confidentiality of inside information until it is announced.

17.07B An issuer must not divulge any information in such a way as to place in a privileged dealing position any person or class or category of persons. It must not release any information in such a way that Exchange transactions may be entered into at prices which do not reflect the latest available information.

17.08 An issuer and its directors must seek to ensure that dealings do not take place between parties one of whom does not have inside information which the other possesses.

17.09 To maintain high standards of disclosure, the Exchange may require an issuer to announce further information, and impose additional requirements on it, where the Exchange considers that circumstances so justify. However, the Exchange will allow the issuer to make representations before imposing any requirements on it which are not imposed on listed issuers generally. The issuer must comply with the additional requirements failing which the Exchange may itself publish the information available to it. Conversely, the Exchange may waive, modify or not require compliance with any specific obligations in this Chapter in a particular case, but may require the issuer to enter into an agreement or undertaking as a condition of any dispensation.

General obligation of disclosure

17.10 (1) Without prejudice to rule 17.11, where in the view of the Exchange there is or there is likely to be a false market in an issuer's securities, the issuer must, as soon as reasonably practicable after consultation with the Exchange, announce the information necessary to avoid a false market in its securities.

Notes: 1. This obligation exists whether or not the Exchange makes enquiries under rule 17.11.

2. If an issuer believes that there is likely to be a false market in its listed securities, it must contact the Exchange as soon as reasonably practicable.

- (2) (a) Where an issuer is required to disclose inside information under the Inside Information Provisions, it must also simultaneously announce the information.
- (b) An issuer must simultaneously copy to the Exchange any application to the Commission for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the Commission's decision copy the Exchange with the Commission's decision.

Response to enquiries

17.11 Where the Exchange makes enquiries concerning unusual movements in the price or trading volume of its listed securities, the possible development of a false market in its securities, or any other matters, the issuer must respond promptly as follows:

- (1) provide to the Exchange and, if requested by the Exchange, announce, any information relevant to the subject matter(s) of the enquiries which is available to it, so as to inform the market or to clarify the situation; or
- (2) if, and only if, the directors of the issuer, having made such enquiry with respect to the issuer as may be reasonable in the circumstances, are not aware of any matter or development that is or may be relevant to the unusual trading movement of its listed securities, or information necessary to avoid a false market, or any inside information which needs to be disclosed under the Inside Information Provisions, and if requested by the Exchange, make an announcement containing a statement to that effect (*see note 1 below*).

Notes: 1 The form of the announcement referred to in rule 17.11(2) is as follows:—

“This announcement is made at the request of The Stock Exchange of Hong Kong Limited. 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.

We have noted [the recent increases/decreases in the price and/or trading volume of the [shares/warrants] of the Company] or [We refer to the subject matter of the Exchange’s enquiry]. Having made such enquiry with respect to the Company as is reasonable in the circumstances, we confirm that we are not aware of [any reasons for these price [or volume] movements] or of any information which must be announced to avoid a false market in the Company’s securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance.

This announcement is made by the order of the Company. The Board of Directors collectively and individually accepts responsibility for the accuracy of this announcement.”

2. *An issuer does not need to disclose inside information under the Rules if disclosure of the information is exempted under the Inside Information Provisions.*
3. *The Exchange reserves the right to direct a trading halt of an issuer’s securities if an announcement under rule 17.11(1) or 17.11(2) cannot be made promptly.*

Trading halt or trading suspension

17.11A Without prejudice to the Exchange’s ability to direct the halt, suspension and resumption of trading in an issuer’s listed securities, an issuer must, as soon as reasonably practicable, apply for a trading halt or a trading suspension in any of the following circumstances where an announcement cannot be made promptly:

- (1) it has information which must be disclosed under rule 17.10; or
- (2) it reasonably believes that there is inside information which must be disclosed under the Inside Information Provisions; or
- (3) circumstances exist where it reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of inside information which:
 - (a) is the subject of an application to the Commission for a waiver; or

- (b) falls within any of the exceptions to the obligation to disclose inside information under the Inside Information Provisions in section 307D(2) of the SFO.

Note: An issuer does not need to disclose inside information under the Rules if disclosure of the information is exempted under the Inside Information Provisions.

Dual listing disclosure obligation

- 17.12 An issuer must announce any information released to any other stock exchange on which its securities are listed at the same time as the information is released to that other exchange.

Disclosure of information released by a listed subsidiary

- 17.13 Where a subsidiary of the issuer listed on another stock exchange or securities market releases information on that stock exchange or in that securities market, the issuer must ensure that such information is announced as soon as practicable thereafter, irrespective of any obligation on the issuer to announce under the GEM Listing Rules or otherwise.

Specific matters relevant to the issuer's business

Exposure to borrowers and other specific circumstances that may require disclosure

- 17.14 Rules 17.15 to 17.21 set out specific instances that give rise to a disclosure obligation on an issuer's part.

Notes: 1 Transactions and financing arrangements of the sort referred to in rules 17.15 to 17.21 may also be subject to Chapter 19 (Notifiable Transactions) and/or Chapter 20 (Connected Transactions).

- 2 For the purposes of rules 17.15 to 17.21, the following terms have the following meanings:—*

"relevant advance to an entity" means the aggregate of amounts due from and all guarantees given on behalf of:—

- (i) an entity;*
 - (ii) the entity's controlling shareholder;*
 - (iii) the entity's subsidiaries;*
 - (iv) the entity's affiliated companies; and*
 - (v) any other entity with the same controlling shareholder as the entity in question.*
- 3 No disclosure is necessary under rules 17.15 to 17.21 where the indebtedness or financial assistance in question arises from a transaction which was approved by shareholders provided that information equivalent to rules 17.17 or 17.18, as applicable, was included in the circular to shareholders of the issuer.*
- 4 [Repealed 1 January 2013]*

Advances to an entity

- 17.15 Where the relevant advance to an entity from the issuer or any of its subsidiaries exceeds 8% under the assets ratio defined under rule 19.07(1), the issuer must announce the information in rule 17.17 immediately thereafter. For the avoidance of doubt, an advance to a subsidiary of the issuer, or between subsidiaries of the issuer, will not be regarded as a relevant advance to an entity.
- 17.16 Where the relevant advance to an entity increases from that previously disclosed (whether under rule 17.15, 17.16 or 17.22) and the amount of the increase since the previous disclosure is 3% or more under the assets ratio defined under rule 19.07(1), the issuer must announce the information in rule 17.17 immediately thereafter.
- 17.17 Under rule 17.15 or 17.16, an issuer must announce the following information:—
- (1) details of the relevant advance to an entity including details of the balances;
 - (2) the nature of events or transactions giving rise to the amounts;
 - (3) the identity of the debtor group;
 - (4) interest rate; and
 - (5) repayment terms and collateral.
- 17.17A For the purpose of rules 17.15 and 17.16, any trade receivable is not regarded as a relevant advance to an entity if:
- (1) it arose in the issuer's ordinary and usual course of business (other than as a result of the provision of financial assistance); and
 - (2) the transaction from which the trade receivable arose was on normal commercial terms.

Financial assistance and guarantees to affiliated companies of an issuer

- 17.18 Where the financial assistance extended by an issuer or any of its subsidiaries to affiliated companies of the issuer, and guarantees given by the issuer or any of its subsidiaries in respect of facilities granted to affiliated companies of an issuer, in aggregate exceeds 8% under the asset ratio defined under rule 19.07(1), the issuer must immediately thereafter announce the following information:
- (1) an analysis of the amount of financial assistance given to, committed capital injection to, and guarantees given for facilities granted to, affiliated companies;
 - (2) terms of the financial assistance, including interest rate, method of repayment, maturity date, and the security therefor, if any;
 - (3) source of funding for the committed capital injection; and
 - (4) banking facilities utilised by affiliated companies which are guaranteed by the issuer or any of its subsidiaries.

Pledging of shares by the controlling shareholder

17.19 Where the issuer's controlling shareholder has pledged all or part of its interest in the issuer's shares to secure the issuer's debts or to secure guarantees or other support of its obligations, the issuer must immediately thereafter announce the following information:—

- (1) the number and class of shares being pledged;
- (2) the amounts of debts, guarantees or other support for which the pledge is made; and
- (3) any other details that are considered necessary for an understanding of the arrangements.

Note: This disclosure obligation is separate from the disclosure obligation arising from the pledging or charging of securities by controlling shareholders in rule 17.43.

Loan agreements with covenants relating to specific performance by the controlling shareholder

17.20 Where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder (e.g. a requirement to maintain a specified minimum holding in the share capital of the issuer) and breach of such an obligation will cause a default in respect of loans that are significant to the issuer's operations, the issuer must immediately thereafter announce the following information:—

- (1) the aggregate level of the facilities that may be affected by such breach;
- (2) the life of the facility; and
- (3) the specific performance obligation imposed on any controlling shareholder.

Breach of loan agreement by an issuer

17.21 If an issuer or any of its subsidiaries breaches the terms of a loan agreement, in respect of any loan that is significant to the group's operations, such that the lender may demand its immediate repayment and where the lender has not waived the breach, the issuer must announce such information.

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 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 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 half-year, quarterly and annual reports for so long as the circumstances giving rise to the obligation continue to exist.

Note: Please refer to rule 17.43 for further details on the continuing disclosure requirements in respect of securities pledged or charged by controlling shareholders.

- 17.24 Where the circumstances giving rise to a disclosure under rule 17.18 continue to exist at the issuer's half yearly or quarterly period end or annual financial year end, its 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.

Material changes following listing

- 17.25 Any proposed fundamental change in the principal business activities of an issuer or its group must be announced immediately after it has been the subject of any decision. Other than with the prior approval of the issuer's independent shareholders in general meeting under rule 19.89, an issuer may not, during the period of 12 months from the date on which dealings in its securities commenced on GEM, implement any such material change.

Note: See also rules 19.88 to 19.90.

Sufficient operations

- 17.26 An issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Exchange to warrant the continued listing of the issuer's securities.

- 17.26A An issuer must, after trading in its listed securities has been suspended, publish periodic announcements of its developments.

Material matters which impact on profit forecasts

- 17.26B (1) If, during the period of any forecast made by the issuer:—

- (a) an event occurs which, had it been known when the profit forecast was made, would have caused any of the assumptions upon which the forecast is based to have been materially different; or
- (b) profit or loss is generated by some activity outside the issuer's ordinary and usual course of business (which was not disclosed as anticipated in the document containing the profit forecast) and which materially contributes to or reduces, or is likely to materially contribute to or reduce, the profits for such period,

the issuer must promptly announce the event and relevant details. In the announcement, the issuer must also indicate the likely impact of that event or activity on the profit forecast already made.

- (2) The issuer must announce the information under rule 17.26B(1) as soon as it becomes aware that it is likely that the contribution to or reduction in the profits made or to be made by the profit or loss generated or to be generated as aforesaid will be material.

Winding-up and liquidation

- 17.27 (1) An issuer shall inform the Exchange of and announce the happening of any of the following events, as soon as it comes to its attention:—

- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any subsidiary falling under rule 17.27(2);
 - (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any subsidiary falling under rule 17.27(2);
 - (c) the passing of any resolution by the issuer, its holding company or any subsidiary falling under rule 17.27(2) that it be wound up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
 - (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios as defined under rule 19.04(9); or
 - (e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios defined under rule 19.04(9).
- (2) Rules 17.27(1)(a), (b) and (c) will apply to a subsidiary of the issuer if the value of that subsidiary's total assets, profits or revenue represents 5% or more under any of the percentage ratios defined under rule 19.04(9).

Note: 1 For the purposes of rule 17.27(2), 100% of that subsidiary's total assets, profits or revenue (as the case may be) or, where that subsidiary itself has subsidiaries, the consolidated total assets, profits or revenue (as the case may be) of that subsidiary is to be compared to the total assets, profits or revenue (as the case may be) shown in the issuer's latest published audited consolidated financial statements irrespective of the interest held in the subsidiary.

2 [Repealed 1 January 2013]

3 [Repealed 1 January 2013]

General matters relevant to the issuer's securities

Changes in issued shares

- 17.27A (1) In addition and without prejudice to specific requirements contained elsewhere in the GEM Listing Rules, an issuer must, whenever there is a change in its issued shares as a result of or in connection with any of the events referred to in rule 17.27A(2), submit through HKEx-EPS, or such other means as the Exchange may from time to time prescribe, for publication on the GEM website a return in such form and containing such information as the Exchange may from time to time prescribe by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day next following the relevant event.
- (2) The events referred to in rule 17.27A(1) are as follows:
- (a) any of the following:
 - (i) placing;
 - (ii) consideration issue;
 - (iii) open offer;
 - (iv) rights issue;
 - (v) bonus issue;
 - (vi) scrip dividend;
 - (vii) repurchase of shares or other securities;
 - (viii) exercise of an option under the issuer's share option scheme by any of its directors;
 - (ix) exercise of an option other than under the issuer's share option scheme by any of its directors;
 - (x) capital reorganisation; or
 - (xi) change in issued shares not falling within any of the categories referred to in rule 17.27A(2)(a)(i) to (x) or rule 17.27A(2)(b); and
 - (b) subject to rule 17.27A(3), any of the following:
 - (i) exercise of an option under a share option scheme other than by a director of the issuer;
 - (ii) exercise of an option other than under a share option scheme not by a director of the issuer;
 - (iii) exercise of a warrant;

- (iv) conversion of convertible securities; or
 - (v) redemption of shares or other securities.
- (3) The disclosure obligation for an event in rule 17.27A(2)(b) only arises where:
- (a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under rule 17.27B or last return under this rule 17.27A (whichever is the later), results in a change of 5% or more of the listed issuer's issued shares; or
 - (b) an event in rule 17.27A(2)(a) has occurred and the event in rule 17.27A(2)(b) has not yet been disclosed in either a monthly return published under rule 17.27B or a return published under this rule 17.27A.
- (4) For the purposes of rule 17.27A(3), the percentage change in the listed issuer's issued shares is to be calculated by reference to the listed issuer's total number of issued shares as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under rule 17.27B or a return published under this rule 17.27A.

Monthly return

17.27B A listed issuer shall, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit through HKEx-EPS, or such other means as the Exchange may from time to time prescribe, for publication on the GEM website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements or arrangements.

Subsequent listing

17.28 An issuer shall, prior to their issue, apply for the listing of any further securities which are of the same class as securities already listed and shall not issue such securities unless approval for the listing of those securities has been granted by the Exchange.

No further issues of securities within 6 months of listing

17.29 No further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the date on which securities of the listed issuer first commence dealing on GEM (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing), except for:

- (1) the issue of shares, the listing of which has been approved by the Exchange, pursuant to a share option scheme under Chapter 23;
- (2) the exercise of conversion rights attaching to warrants issued as part of the initial public offering;

- (3) any capitalisation issue, capital reduction or consolidation or sub-division of shares;
- (4) the issue of shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in the listing document issued in connection with the initial public offering; and
- (5) any issue of shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) which satisfies the following requirements:
 - (a) the issue is for the purpose of an acquisition of assets which would complement the listed issuer's business described in the listed issuer's initial listing document, and the acquisition does not constitute a major transaction, very substantial acquisition or reverse takeover pursuant to rules 19.06(3), (5) and (6) respectively;
 - (b) the issue does not result in a controlling shareholder of the listed issuer ceasing to be a controlling shareholder after the issue and, in any event, must not result in a change in control of the listed issuer within the meaning of the Takeovers Code;
 - (c) the issue and any transaction related to it is made subject to the approval of shareholders with the following persons abstaining from voting: -
 - (i) any core connected person and its close associates; and
 - (ii) any shareholder who has a material interest in the issue and/or the related transaction, other than an interest arising solely by virtue of a shareholding in the listed issuer; and
 - (d) the circular in respect of the issue and the related transaction which is despatched to the shareholders of the listed issuer must comply with the requirements of a circular as specified in Chapter 19 and contain such information as is necessary for the independent shareholders to make an informed judgement on the issue and related transaction.

Note: The circular must include:

- (i) *an opinion from an independent financial adviser acceptable to the Exchange stating whether, in the financial adviser's opinion, the terms of the proposed issue and related transaction are fair and reasonable so far as the shareholders of the listed issuer (excluding any of the shareholders described in rule 17.29(5)(c)) are concerned;*
- (ii) *a statement as to whether or not the listed issuer and its directors had any plan or intention to acquire the assets concerned before or at the time of the issue of the listed issuer's initial listing document;*
- (iii) *the circumstances under which the opportunity to acquire the assets has arisen;*
- (iv) *the number of new shares or securities to be issued and the dilution effect on shareholders;*
- (v) *information on the assets to be acquired including their value;*
- (vi) *an explanation as to how the issue price for the new shares or securities was fixed;*

- (vii) *reasons for the acquisition and why it is important for the listed issuer to acquire the assets within six months of its listing;*
- (viii) *the effect of the acquisition on the listed issuer's business and prospects and on the statement of business objectives set out in the listed issuer's initial listing document;*
- (ix) *how the acquired assets would complement the listed issuer's business; and*
- (x) *details of the persons who would receive the new shares or securities and their connection, if any, with any core connected persons of the listed issuer.*
- (xi) *[Repealed 1 October 2013]*

Notes: In exceptional circumstances, the Exchange may be prepared to waive the requirements of this rule, for example where the listed issuer raised, at the time of its initial public offering, less than the maximum amount stated in its listing document and so as to enable the listed issuer to raise the shortfall of such maximum amount.

Announcement of issues of securities

17.30 Where the directors agree to issue any securities for cash in accordance with rule 17.39 or 17.41, an issuer shall publish an announcement 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, containing the following information:—

- (1) the name of the issuer;
- (2) the number, class and aggregate nominal value of the securities agreed to be issued;

Note: If the issue involves (i) securities convertible into shares of the issuer or (ii) options, warrants or similar rights to subscribe for shares or such convertible securities, the announcement should also contain:

- (a) *the conversion/subscription price and a summary of the provisions for adjustments of such price and/or number of shares to be issued and all other material terms of the convertible securities or warrants; and*
- (b) *the maximum number of shares that could be issued upon exercise of the conversion/subscription rights.*
- (3) the total funds to be raised and the proposed use of the proceeds;
- (4) the issue price of each security and the basis for determining the same;
- (5) the net price to the issuer of each security;
- (6) the reasons for making the issue;
- (7) the names of the allottees, if fewer than 6 in number and, in the case of 6 or more allottees details of such allottees in accordance with rule 10.12(4). The Exchange reserves the right to require submission of such further information (on an electronic spreadsheet or such other format as it may request) on the allottees as it may consider necessary for the purpose of establishing their independence, including without limitation details of beneficial ownership;

- (8) the market price of the securities concerned on a named date, being the date on which the terms of the allotment were fixed;
- (9) the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the 12 months immediately preceding the announcement of the proposed issue of securities, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount;
- (10) where applicable, the name of the underwriter/placing agent and the principal terms of the underwriting/placing arrangements;
- (11) a statement whether the issue is subject to shareholders' approval;
- (12) where the securities are issued under a general mandate granted to the directors by the shareholders in accordance with rule 17.41(2), details of the mandate;
- (13) where the securities are issued by way of a rights issue or an open offer, the information set out in paragraph 18 of Appendix 1, Part B;
- (14) the conditions to which the issue is subject or a negative statement if applicable; and
- (15) any other material information with regard to the issue (including any restrictions on the ability of the issuer to issue further securities or any restrictions on the ability of the allottees to dispose of shares issued to them or any restrictions on the ability of existing shareholders to dispose of their securities arising in connection with the allotment).

Notes: (1) This rule does not apply to a grant of options or issue of securities under a share option scheme which complies with Chapter 23. For these, the issuer must follow the announcement requirement under rule 23.06A.

(2) For any exercise of these options, the issuer must follow the disclosure obligations under rules 17.27A and 17.27B.

17.30A Where the securities are issued for cash under the authority of a general mandate granted to the directors by the shareholders in accordance with rule 17.41(2) and at a discount of 20% or more to the benchmarked price set out in rule 17.42B, an issuer shall publish an announcement 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 business day immediately following the day on which the relevant agreement involving the proposed issue of securities is signed. The announcement must disclose, among other things, the following information:

- (1) where there are less than 10 allottees, the name of each allottee (or, if applicable, the name of its beneficial owners) and a confirmation of its independence from the issuer; and
- (2) where there are 10 or more allottees, the name of each allottee (or, if applicable, the name of its beneficial owners) subscribing 5% or more of the securities issued and a generic description of all other allottees, and a confirmation of their independence from the issuer. When calculating the 5% limit, the number of securities subscribed by each allottee, its holding company and any of their subsidiaries must be aggregated.

Results of offers and rights issues

17.31 An issuer shall announce, in accordance with the provisions of rules 16.13 to 16.15, the results and other details of any offer for subscription, offer for sale, rights issue or open offer.

Note: An issuer shall announce any extension of time granted for the currency of temporary documents of title.

Changes of rights attaching to securities

- 17.32 An issuer shall inform the Exchange and make an announcement concerning any changes in the rights attaching to any class of securities issued or to be issued by the issuer, including any changes in the terms of conversion or exercise of any of its convertible securities.

Issue of new warrants to existing warrantholders and/or altering the terms of existing warrants

- 17.33 Without prejudice to the generality of rule 17.32, where an issuer proposes to issue new warrants to existing warrantholders and/or alter the terms of existing warrants, the issuer must comply with the provisions of rules 21.06 and 21.07.

Altering the terms of convertible equity securities

- 17.34 Without prejudice to the generality of rule 17.32, where an issuer proposes to alter the terms of existing convertible equity securities, the issuer must comply with the provisions of rule 22.03.

Purchase of securities

- 17.35 An issuer shall submit to the Exchange for publication a completed return in such form and containing such information as the Exchange may from time to time prescribe, as soon as practicable after any purchase, sale, drawing or redemption by the issuer, or any member of the group, of its listed securities (whether on the Exchange or otherwise) and the Exchange may disseminate such information to such persons and in such manner as the Exchange thinks fit.

Notes: 1 Purchases by the issuer of its own securities (whether on the Exchange or otherwise) must be notified to the Exchange by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following dealing. The information given should include the number of securities purchased and the purchase price per security or the highest and lowest prices paid, where relevant. In this regard, reference is made to the provisions of rule 13.13.

2 Issuers may only purchase their own securities on the Exchange in accordance with the provisions of Chapter 13 of the GEM Listing Rules (amended in the case of a PRC issuer by the provisions of Chapter 25).

Minimum prescribed public holding

- 17.36 An issuer shall inform the Exchange immediately and publish an announcement, if it becomes aware that the number of listed securities which are in the hands of the public has fallen below the minimum percentage prescribed by rule 11.23.
- 17.37 Once the issuer becomes aware that the number of listed securities in the hands of the public has fallen below the minimum prescribed percentage, the issuer shall take steps to ensure that compliance is resumed from the earliest practicable opportunity.

Notes: 1 Pursuant to the provisions of Chapter 9, the Exchange reserves the right to suspend trading in the issuer's securities or cancel the listing of such securities where the Exchange considers that there are insufficient securities in the hands of the public.

2 In this regard, issuers should also be aware of the notes to rule 11.23.

Other listings

- 17.38 An issuer shall inform the Exchange immediately and publish an announcement, at such time as any of its securities (or the securities of any of its subsidiaries) become listed or dealt in on any other stock exchange or securities market other than GEM, stating which stock exchange or securities market and of any consequences to the holders of securities listed on GEM.

Sufficiency of public float

- 17.38A An issuer shall include in its annual report a statement of sufficiency of public float. The statement should be based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report.

Note: GEM listed issuers that have been allowed a lower minimum prescribed percentage of public float (including those which have been granted a waiver under repealed GEM Rule 11.23(5)) have a grace period of three years to comply with the public float requirement under rule 11.23. Accordingly, all GEM issuers must comply with the public float requirement by no later than 30 June 2011.

Pre-emptive rights

- 17.39 Except in the circumstances mentioned in rule 17.41, the directors of an issuer (other than a PRC issuer, to which the provisions of rule 25.23 apply) shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting:—

- (1) shares;
- (2) securities convertible into shares; or
- (3) options, warrants or similar rights to subscribe for any shares or such convertible securities.

Note: Importance is attached to the principle that a shareholder should be able to protect his proportion of the total equity by having the opportunity to subscribe for any new issue of equity securities. Accordingly, unless shareholders otherwise permit, all issues of equity securities by the issuer must be offered to the existing shareholders (and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them) pro rata to their existing holdings, and only to the extent that the securities offered are not taken up by such persons may they be allotted or issued to other persons or otherwise than pro rata to their existing holdings. This principle may be waived by the shareholders themselves on a general basis, but only within the limits of rules 17.41 and 17.42.

- 17.40 Notwithstanding rule 17.41(2), the directors of the issuer (other than a PRC issuer, to which the provisions of rule 25.23 apply) shall obtain the consent of the shareholders in general meeting prior to allotting any voting shares if such allotment would effectively alter the control of the issuer.

- 17.41 No such consent as is referred to in rule 17.39 shall be required:—

- (1) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer which excludes for that purpose any shareholder that is resident in a place outside Hong Kong provided the directors of the issuer consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings but subject to rule 10.29; or

Notes: 1 *The issuer must make enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange and may only exclude such overseas shareholders on the basis that, having made such enquiry, it would be necessary or expedient to do so.*

2 *If any shareholders that are resident outside Hong Kong are excluded from an offer of securities pursuant to rule 17.41(1), the issuer shall include an explanation for the exclusion in the relevant circular or document containing the offer of securities. Issuers shall ensure that the circular or offer document is delivered to such shareholders for their information subject to compliance with the relevant local laws, regulations and requirements.*

- (2) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution in general meeting given a general mandate to the directors of the issuer, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of (i) 20% of the number of issued shares of the issuer as at the date of the resolution granting the general mandate (or in the case of a scheme of arrangement involving an introduction in the circumstances set out in rule 10.18(3), 20% of the number of issued shares of the issuer following implementation of the scheme) and (ii) the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the number of issued shares the issuer as at the date of the resolution granting the repurchase mandate), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20% general mandate.

Notes: 1 *Other than where independent shareholders' approval has been obtained, an issue of securities to a connected person pursuant to a general mandate given under rule 17.41(2) is only permitted in the circumstances set out in rule 20.90.*

2. *If the issuer conducts a share consolidation or subdivision after the issue mandate has been approved in general meeting, the maximum number of securities that may be issued under the mandate as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.*

17.42 A general mandate given under rule 17.41(2) shall only continue in force until:—

- (1) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
- (2) revoked or varied by ordinary resolution of the shareholders in general meeting, whichever occurs first.

17.42A Where an issuer has obtained a general mandate from its shareholders pursuant to rule 17.41(2), any refreshments of the general mandate before the next annual general meeting shall be subject to the following provisions:

- (1) any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour;
- (2) the Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the general meeting:
 - (a) any parties who were controlling shareholders of the issuer at the time the decision to seek a refreshment of the mandate was made or approved by the board, and their associates; or
 - (b) where there were no such controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer at the time the decision to seek a refreshment of the mandate was made or approved by the board, and their respective associates;
- (3) the issuer must comply with requirements set out in rules 17.47(6) and 17.47(7) and rules 17.47A, 17.47B and 17.47C;
- (4) the relevant circular to shareholders must contain information relating to the issuer's history of refreshments of mandate since the last annual general meeting, the amount of proceeds raised from the utilisation of such mandate, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount. The circular must also contain information required under rule 2.28; and
- (5) where the issuer offers or issues securities to its shareholders pro rata to their existing holdings (including where overseas shareholders are excluded for legal or regulatory reasons), it will not be necessary for the issuer to comply with rules 17.42A(1), (2) or (3) in order for it to refresh its general mandate immediately thereafter such that the amount in percentage terms of the unused part of the general mandate upon refreshment is the same as the unused part of the general mandate immediately before the issue of securities. In such cases, it need only obtain approval from its shareholders and comply with rule 17.42A(4).

17.42B In the case of a placing of securities for cash consideration, an issuer may not issue any securities pursuant to a general mandate given under rule 17.41(2) if the relevant price represents a discount of 20% or more to the benchmarked price of the securities, such benchmarked price being the higher of:

- (1) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (2) the average closing price in the 5 trading days immediately prior to the earlier of:
 - (a) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;
 - (b) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and

- (c) the date on which the placing or subscription price is fixed,

unless the issuer can satisfy the Exchange that it is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves the issue of new securities at a price representing a discount of 20% or more to the benchmarked price of the securities or that there are other exceptional circumstances. The issuer shall provide the Exchange with detailed information on the allottees to be issued with securities under the general mandate.

Information on the pledging of securities in the issuer

17.43 An issuer shall publish an announcement on being informed of, or on otherwise becoming aware of, any matter referred to in rule 13.19 concerning the pledging or charging of any interests in the securities of the issuer by any controlling shareholder. In these circumstances, the information to be announced is as follows:—

- (1) the number and class of securities being pledged or charged;
- (2) the purpose for which the pledge or charge is made;
- (3) any other relevant details; and
- (4) in the event that the pledgee or chargee has disposed of or intends to dispose of any securities, details of the same, including the number of securities affected or to be affected.

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 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.

- 2 *The disclosure obligations set out in this rule are separate from the disclosure obligations arising from the pledging or charging of securities by the controlling shareholder of the issuer to secure debts of the issuer or to secure guarantees or other obligations of the issuer, which are dealt with in rules 17.19 and 17.23.*

Meetings

Notices of general meetings

17.44 An issuer shall ensure that notice of every general meeting is announced (see also rule 17.46).

Proxy forms

17.45 An issuer shall send with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting proxy forms, with provision for two-way voting on all resolutions intended to be proposed thereat.

Notes: 1 The object of the requirement relating to proxy forms is to ensure that holders have adequate opportunity to express their views on all resolutions intended to be proposed such as the adoption of the annual accounts and re-election of directors.

- 2 *Provided two-way proxy forms are made available, the printing and postal arrangements are matters entirely at the discretion of the issuer. The proxy form must state that if it is returned without an indication as to how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether he votes and if so how. The proxy form must state that a shareholder is entitled to appoint a proxy of his own choice and must provide a space for the name of such proxy.*

- 3 Pursuant to rule 16.04(3), the proxy form must be submitted for publication on the GEM website in accordance with rules 16.17 and 16.18.

Notices to members

- 17.46 (1) An issuer shall send notices to all holders of its listed securities whether or not their registered address is in Hong Kong.
- (2) In addition to any direction of the court, an issuer shall ensure that notice of every meeting of its shareholders or its creditors concerning the issuer (e.g. for winding up petitions, schemes of arrangement or capital reduction) is published in accordance with Chapter 16. The issuer shall despatch a circular to its shareholders at the same time as (or before) the issuer gives notice of the general meeting to approve the transaction referred to in the circular. The issuer shall provide its shareholders with any material information on the subject matter to be considered at a general meeting that comes to the directors' attention after the circular is issued. The issuer must provide the information either in a supplementary circular or by way of an announcement not less than 10 business days before the date of the relevant general meeting to consider the subject matter. The meeting must be adjourned before considering the relevant resolution to ensure compliance with this 10 business day requirement by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect (see also rule 17.47B).

Note: The issuer must assess the scale of revisions or updating required and materiality of the new information, revisions or updating required that has come to its attention since publication of the circular when deciding whether to issue a revised or supplementary circular or publish an announcement. Where the revisions or updating required are significant, the issuer must consider carefully whether it would be better to publish a revised or supplementary circular rather than provide particulars of the changes in an announcement. The issuer should not overwhelm or confuse investors with lengthy announcements describing changes to information contained in the original circular.

- 17.46A An issuer shall also disclose the details required under rule 17.50(2) of any directors proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting (including, but not limited to, an annual general meeting).

Nomination of directors

- 17.46B An issuer shall publish an announcement or issue a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the general meeting where such notice is received by the issuer after publication of the notice of meeting. The issuer shall include particulars of the proposed director in the announcement or supplementary circular.

Note: The issuer must assess whether or not it is necessary to adjourn the meeting of the election to give shareholders at least 10 business days to consider the relevant information disclosed in the announcement or supplementary circular.

Meetings of holders of securities

- 17.47 (1) An issuer proposing to solicit proxies or votes in connection with any meeting of holders of its securities may only use for such purpose previously published information which remains accurate and is not misleading at the time it is quoted.

- (2) Shareholders must not be put under pressure to vote or abstain from voting at any general meeting and, where their votes are solicited, must be encouraged to consult their professional advisers.
- (3) [Repealed 1 January 2009]
- (4) Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The issuer must announce the results of the poll in the manner prescribed under rule 17.47(5).

Note: Procedural and administrative matters are those that:

- (1) are not on the agenda of the general meeting or in any supplementary circular to members; and*
 - (2) which relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all shareholders a reasonable opportunity to express their views.*
- (5) The issuer must announce the results of the poll as soon as possible, but in any event at least 30 minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting.

The poll results announcement must include the number of:

- (a) shares entitling the holder to attend and vote on a resolution at the meeting;
- (b) shares entitling the holder to attend and abstain from voting in favour as set out in rule 17.47A;
- (c) shares of holders that are required under the GEM Listing Rules to abstain from voting;
- (d) shares actually voted for a resolution; and
- (e) shares actually voted against a resolution.

The issuer must appoint its auditors, share registrar or external accountants who are qualified to serve as its auditors as scrutineer for the vote-taking and state the identity of the scrutineer in the announcement. The issuer must state in the announcement whether or not any parties that have stated their intention in the circular to vote against the relevant resolution or to abstain have done so at the general meeting.

- (6) In relation to any transactions that are subject to independent shareholders' approval pursuant to the GEM Listing Rules, any issue of shares or securities convertible into equity securities of an issuer pursuant to rule 17.29(5) or spin-off proposals that are subject to approval of the shareholders of the issuer pursuant to paragraph 3(e) of Practice Note 3:

- (a) the issuer shall establish an independent board committee (which shall consist only of independent non-executive directors) to advise shareholders as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in the interests of the issuer and its shareholders as a whole and to advise shareholders on how to vote, taking into account the recommendations of the independent financial adviser appointed under rule 17.47(6)(b);
 - (b) the issuer shall appoint an independent financial adviser acceptable to the Exchange to make recommendations to the independent board committee and the shareholders as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in the interests of the issuer and its shareholders as a whole and to advise shareholders on how to vote; and
 - (c) the independent board committee shall not consist of any independent non-executive directors who have a material interest in the relevant transaction or arrangement. The independent board committee may consist of only one independent non-executive director if all other independent non-executive directors have a material interest in the relevant transaction or arrangement. If all the independent non-executive directors have a material interest in the relevant transaction or arrangement, no independent board committee can be formed. In that event, the independent financial adviser shall make its recommendation to the shareholders only in the manner prescribed under rule 17.47(7)(b).
- (7) In relation to any transactions that are subject to independent shareholders' approval pursuant to the GEM Listing Rules, any issue of shares or securities convertible into equity securities of an issuer pursuant to rule 17.29(5) or spin-off proposals that are subject to approval of the shareholders of the issuer pursuant to paragraph 3(e) of Practice Note 3, the circular to shareholders must contain at least:
 - (a) if applicable, a separate letter from the independent board committee advising shareholders as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in the interests of the issuer and its shareholders as a whole and advising shareholders on how to vote, taking into account the recommendations of the independent financial adviser; and
 - (b) a separate letter from the independent financial adviser containing its recommendation to the independent board committee and shareholders (or, if applicable, to the shareholders only) as to whether the terms of the relevant transaction or arrangement are fair and reasonable and whether such a transaction or arrangement is in the interests of the issuer and its shareholders as a whole and advising shareholders on how to vote. Such letter must set out the reasons for and the key assumptions made and factors taken into consideration in forming that opinion.
- (8) For any connected transactions, the requirements relating to the opinion and recommendation of the independent board committee and the independent financial adviser are set out in Chapter 20.

Note: "Independent shareholders" under paragraphs (6) and (7) of this rule 17.47 means any shareholders other than controlling shareholders of the issuer and their associates or, where there are no controlling shareholders, any shareholders other than directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates.

17.47A Parties that are required to abstain from voting in favour at the general meeting pursuant to rules 9.20(1), 9.21, 10.29(1), 10.29A, 10.39(1), 10.39A, 17.42A(1), 17.42A(2), 19.89(2), 19.90(1), 23.04(1) may vote against the resolution at the general meeting of an issuer provided that their intention to do so has been stated in the relevant listing document or circular to shareholders. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case the issuer must, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to its shareholders or publish an announcement notifying its shareholders of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 10 business days before the date originally scheduled for the general meeting, the meeting must be adjourned before considering the relevant resolution to a date that is at least 10 business days from the date of despatch or publication by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

17.47B Where under rules 17.46(2) or 17.47A, a meeting is required to be adjourned by resolution, all shareholders are permitted to vote on that resolution. Any shareholders who would have been required to abstain from voting on any resolution that was to be proposed shall vote in favour of the resolution to adjourn the meeting.

17.47C An issuer must have an appropriate procedure in place to record that any parties that must abstain or have stated their intention to vote against the relevant resolution in the listing document, circular or announcement have done so at the general meeting.

Board meetings

17.48 An issuer shall inform the Exchange and 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.

Voting of directors at board meeting

17.48A Subject to the exceptions set out in paragraphs (1), (2), (4) and (5) of Note 5 to Appendix 3, a director of an issuer shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting.

Note: The references to "close associate" shall be changed to "associate" where the transaction or arrangement is a connected transaction under Chapter 20.

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:—

- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities, including the rate and amount of the dividend or distribution and the expected payment date;

- (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
- (3) any preliminary announcement of profits or losses for any year, or any 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 inform the Exchange of, and 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 quarterly, half-year and annual results announcements.

2. Note 1 is also applicable to a preliminary announcement of results for a full year. As soon as possible after draft accounts have been agreed with the auditors, those accounts, adjusted to reflect any dividend decision, should be approved as the basis of a preliminary announcement of results for the full year.

3. If there is any change to the expected payment date previously disclosed under rule 17.49(1) or this note, the issuer should announce this fact and the new expected payment date as soon as practicable.

- (4) any proposed change in the capital structure of the issuer, including any redemption of its listed securities.

Note: Once a decision has been made to submit any such proposal to the board, no dealings in any of the relevant securities should be effected by or on behalf of the issuer or any of its subsidiaries until the proposal has been announced or abandoned.

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, 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:—

- (1) any proposed alteration to the issuer's memorandum or articles of association or equivalent documents and, in the case of a PRC issuer, any proposed request by the PRC issuer or a PRC competent authority to waive or otherwise modify any provision of the Regulations.

The circular for any such amendments proposed by the issuer must contain an explanation of the effect of the proposed amendments and the full terms of the proposed amendments. At the same time as the circular is despatched to shareholders of the issuer, the issuer should submit to the Exchange (a) a letter addressed to the issuer from its legal advisers confirming that the proposed amendments conform with the requirements of the GEM Listing Rules, where applicable, and the laws of the place where it is incorporated or otherwise established; and (b) a confirmation from the issuer that there is nothing unusual about the proposed amendments for a company listed in Hong Kong;

Note: Changes to the relevant parts of the articles of association or equivalent documents must conform with the requirements of Appendix 3 to the GEM Listing Rules and, in the case of an overseas issuer which is incorporated or otherwise established in a jurisdiction in respect of which additional requirements are set out in Appendix 11 (including, for these purposes, the PRC), such changes must conform with Appendix 11.

- (2) any changes in its directorate (and, in the case of a PRC issuer, its supervisory committee), and shall procure that each new director or member of its governing body and, in the case of a PRC issuer, supervisor shall sign and lodge with the Exchange as soon as practicable after the date of his appointment a declaration, undertaking and acknowledgement in the relevant form set out in Appendix 6.

Where a new director, supervisor or chief executive is appointed or the resignation, re-designation, retirement or removal of a director, a supervisor or chief executive takes effect, the issuer must announce the change as soon as practicable and include the following details of any newly appointed or re-designated director, supervisor or chief executive in the announcement:-

- (a) the full name (which should normally be the same as that stated in his declaration, undertaking and acknowledgement in the form set out in Appendix 6 to the GEM Listing Rules) and age;
- (b) positions held with the issuer and other members of the issuer's group;
- (c) experience including (i) other directorships held in the last 3 years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;
- (d) length or proposed length of service with the issuer;
- (e) relationships with any directors, senior management, substantial shareholders, or controlling shareholders of the issuer;
- (f) his interests in shares of the issuer within the meaning of Part XV of the Securities and Futures Ordinance;
- (g) amount of the director's or chief executive's emoluments (and, in the case of a PRC issuer, the supervisor's emoluments) and the basis of determining the director's or chief executive's emoluments (and, in the case of a PRC issuer, the supervisor's emoluments) (including any bonus payments, whether fixed or discretionary in nature, irrespective of whether a director, supervisor or chief executive has or does not have a service contract) and how much of these emoluments are covered by a service contract;
- (h) full particulars of any public sanctions made against him by statutory or regulatory authorities;
- (i) where he has at any time been adjudged bankrupt or insolvent, the Court by which he was adjudged bankrupt or insolvent and, if discharged, the date and conditions on which he was granted his discharge;
- (j) where he has at any time been a party to a deed of arrangement or entered into any other form of arrangement or composition with his creditors, full particulars of the deed of arrangement or the arrangement or composition with his creditors;

- (k) full particulars of any unsatisfied judgments or court orders of continuing effect against him;
- (l) where any enterprise, company or unincorporated business enterprise has been dissolved or put into liquidation (otherwise than by a members' voluntary winding up when the company, in the case of a Hong Kong company, was solvent) or bankruptcy or been the object of an analogous proceeding, or entered into any form of arrangement or composition with creditors, or had a receiver, trustee or similar officer appointed over it (i) during the period when he was one of its directors or, in the case of an enterprise, a company or an unincorporated business enterprise established in the PRC, during the period when he was one of its directors, supervisors or managers, or (ii) within 12 months after his ceasing to act as one of its directors, supervisors or managers, as the case may be, full particulars, including the name of the enterprise, company or unincorporated business enterprise, its place of incorporation or establishment, the nature of its business, the nature of the proceeding involved, the date of commencement of the proceeding and the amounts involved together with an indication of the outcome or current position of the proceeding;
- (m) subject to the provisions of the Rehabilitation of Offenders Ordinance or comparable legislation of other jurisdictions, full particulars of any conviction for any offence (including details of each such offence, the court by which he was convicted, the date of conviction and the penalty imposed):
 - (i) involving fraud, dishonesty or corruption;
 - (ii) under the Securities and Futures Ordinance, the Companies Ordinance, Part II of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (insofar as that Part relates, whether directly or indirectly, to the performance of functions by the Commission in relation to prospectuses and purchase by a company of its own shares) and Part XII of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (insofar as that Part relates, whether directly or indirectly, to the performance of functions by the Commission in relation to prospectuses), the Commodity Exchanges (Prohibition) Ordinance, the repealed Protection of Investors Ordinance, the repealed Securities Ordinance, the repealed Securities (Disclosure of Interests) Ordinance, the repealed Securities and Futures Commission Ordinance, the repealed Commodities Trading Ordinance, the repealed Stock Exchanges Unification Ordinance, the repealed Securities and Futures (Clearing Houses) Ordinance, the repealed Exchanges and Clearing Houses (Merger) Ordinance, the repealed Securities (Insider Dealing) Ordinance, the Bankruptcy Ordinance, the Banking Ordinance, the repealed Leveraged Foreign Exchange Trading Ordinance or any Ordinance relating to taxation, or any comparable legislation of other jurisdictions; or
 - (iii) in respect of which he has, within the past 10 years, been sentenced as an adult to a period of imprisonment of six months or more, including suspended or commuted sentences;
- (n) full particulars where:
 - (i) he has been identified as an insider dealer under Parts XIII or XIV of the Securities and Futures Ordinance or the repealed Securities (Insider Dealing) Ordinance at any time;

- (ii) any enterprise, company or unincorporated business enterprise with which he was or is connected (as defined in Parts XIII or XIV of the Securities and Futures Ordinance or the repealed Securities (Insider Dealing) Ordinance) or any enterprise, company or unincorporated business enterprise for which he acts or has acted as an officer, supervisor or manager has been identified as an insider dealer under Parts XIII or XIV of the Securities and Futures Ordinance or the repealed Securities (Insider Dealing) Ordinance at any time during the period when he was connected and/or acted as an officer, supervisor or manager;
- (iii) he has been found guilty of or been involved in insider dealing, or been held by any Court or competent authority to have breached any securities or financial markets laws, rules or regulations including any rules and regulations of any securities regulatory authority, stock exchange or futures exchange at any time;
- (iv) any enterprise, company or unincorporated business enterprise in which he was or is a controlling shareholder (as defined in the GEM Listing Rules) or was or is a supervisor, manager, director or officer or has been found guilty of or been involved in insider dealing, or been held by any Court or competent authority to have breached any securities or financial markets laws, rules or regulations including any rules and regulations of any securities regulatory authority, stock exchange or futures exchange at any time during the period when he was a controlling shareholder, supervisor, manager, director or officer;
or
- (v) he has been found by the Market Misconduct Tribunal, any Court or competent authority to have breached an obligation under the Inside Information Provisions, or where any issuer of which he was or is a controlling shareholder (as defined in the GEM Listing Rules) or was or is a supervisor, manager, director, chief executive or officer has been found by the Market Misconduct Tribunal, any Court or competent authority to have breached an obligation under the Inside Information Provisions at any time during the period when he was a controlling shareholder, supervisor, manager, director, chief executive or officer;
- (o) where he has been adjudged by a Court or arbitral body civilly liable for any fraud, breach of duty or other misconduct by him involving dishonesty, full particulars of the judgment;
- (p) where any enterprise, company, partnership or unincorporated business enterprise of which he was or is a partner, director, supervisor or manager has had its business registration or licence revoked at any time during the period when he was one of its partners, directors, supervisors or managers, full particulars of such revocation, including the date upon which such registration or licence was revoked, the reasons for the revocation, the outcome and current position;
- (q) where he has at any time been disqualified from holding, or deemed unfit to hold, the position of director, supervisor or manager of an enterprise, a company or an unincorporated business enterprise, or from being involved in the management or conduct of the affairs of any enterprise, company or unincorporated business enterprise, pursuant to any applicable law, rule or regulation or by any competent authority, full particulars of such disqualification or ruling;
- (r) except where such disclosure is prohibited by law, full particulars of any investigation by any judicial, regulatory or governmental authority to which he is subject, including the investigating body, the nature of the investigation and the matters under investigation;

- (s) where he has at any time been refused admission to membership of any professional body or been censured or disciplined by any such body to which he belongs or belonged or been disqualified from membership in any such body or has at any time held a practising certificate or any other form of professional certificate or licence subject to special conditions, full particulars of such refusal, censure, disciplinary action, disqualification or special conditions;
- (t) where he is now or has at any time been a member of a triad or other illegal society, full particulars;
- (u) except where such disclosure is prohibited by law, where he is currently subject to (i) any investigation, hearing or proceeding brought or instituted by any securities regulatory authority, including the Hong Kong Takeovers Panel or any other securities regulatory commission or panel, or (ii) any judicial proceeding in which violation of any securities law, rule or regulation is or was alleged, full particulars of such investigation, hearing or proceeding;
- (v) except where such disclosure is prohibited by law, where he is a defendant in any current criminal proceeding involving an offence which may be material to an evaluation of his character or integrity to be a director or supervisor of the issuer, full particulars of such proceeding;
- (w) any other matters that need to be brought to the attention of holders of securities of the issuer; and
- (x) where there is no information to be disclosed pursuant to any of the requirements of this rule 17.50(2), an appropriate negative statement to that effect.

The issuer must also disclose in the announcement of resignation or removal of a director, supervisor or chief executive the reasons given by or to him for his resignation or removal (including, but not limited to, any information relating to his disagreement with the board and a statement whether or not there are any matters that need to be brought to the attention of holders of securities of the issuer).

The issuer must notify the Exchange and publish an announcement on any important change in the holding of an executive office, including changes to any important functions or executive responsibilities of a director.

- (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);
- (4) any change in its auditors or financial year end, the reason(s) for the change and any other matters that need to be brought to the attention of holders of securities of the issuer (including, but not limited to, information set out in the outgoing auditors' confirmation in relation to the change in auditors);

Note: The issuer must state in the announcement whether the outgoing auditors have provided a confirmation that there are no matters that need to be brought to the attention of holders of securities of the issuer. If no such confirmation has been provided, the announcement must state the reason for this.

- (5) any change in its registered address or registered office or (as applicable) its registered place of business in Hong Kong or agent for the service of process in Hong Kong; and
- (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.

Provision of information in respect of and by directors, supervisors and chief executives

- 17.50A (1) Where, following implementation of this rule, there is a change in any of the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 17.50(2) during the course of the director's, supervisor's or chief executive's term of office, the issuer must ensure that the change and the updated information regarding the director, supervisor or chief executive is set out in the next published annual or interim report of the listed issuer (whichever is the earlier).
- (2) Where, following implementation of this rule, there is a change in any of the information required to be disclosed pursuant to paragraphs (h) to (v) of rule 17.50(2) during the course of a director's, supervisor's or chief executive's term of office, the issuer must inform the Exchange and publish an announcement in accordance with Chapter 16 as soon as practicable setting out the updated information regarding the director, supervisor or chief executive and any other information concerning that change that needs to be brought to the attention of holders of the issuer's securities.
- (3) Without prejudice to the issuer's obligation to disclose financial information and biographical details of its directors, supervisors and chief executive(s) under Chapter 18, the disclosures required to be made by an issuer pursuant to paragraphs (1) and (2) are subject to the following exceptions and modifications:
- (a) for rule 17.50(2)(a), an issuer need not disclose the age of the director, supervisor or chief executive in its interim reports;
 - (b) for rule 17.50(2)(d), an issuer need not disclose the length of service of a director, supervisor or chief executive;
 - (c) for rule 17.50(2)(h), an issuer need not disclose any sanction imposed on it by the Exchange; and
 - (d) for rule 17.50(2)(k), an issuer need not disclose the particulars of any unsatisfied judgments or court orders of continuing effect until the relevant judgment or court order becomes final.
- 17.50B Directors, supervisors and chief executive(s) of an issuer must procure and/or assist the issuer to comply with rule 17.50(2) and rule 17.50A including, but not limited to, by immediately informing the issuer of the information referred to in paragraphs (a) to (x) of rule 17.50(2) and any change in the information referred to in paragraphs (a) to (w) of rule 17.50(2) which information concerns the director, supervisor or chief executive. In procuring and/or assisting the issuer in the publication of the information (whether in an announcement in accordance with Chapter 16, or in an annual or interim report, as the case may be), the directors, supervisors and chief executive(s) concerned must accept responsibility for the accuracy of the information.
- 17.50C The issuer must publish the procedures for shareholders to propose a person for election as a director on its website.

Appointments outstanding

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

- (1) there remains outstanding the appointment of any individual(s) to the position of compliance officer as required pursuant to Chapter 5; or
- (2) the issuer fails to set up an audit committee or at any time has failed to meet any of the other requirements set out in rule 5.28 regarding the audit committee. The issuer shall set up an audit committee and/or appoint appropriate members to the audit committee to meet the requirement(s) within 3 months after failing to meet such requirement(s); or
- (3) the number of its independent non-executive directors falls below the minimum number required under rule 5.05(1) or at any time it has failed to meet the requirement set out in rule 5.05(2) regarding qualification of the independent non-executive directors. The issuer shall appoint a sufficient number of independent non-executive directors to meet the minimum number required under rule 5.05(1) or appoint an independent non-executive director to meet the requirement set out in rule 5.05(2) within 3 months after failing to meet the requirement(s).

Amendments to company information sheet

17.52 An issuer shall submit to the Exchange (in the electronic format specified by the Exchange from time to time) for publication on the GEM website a revised company information sheet, in the prescribed form set out in Appendix 5F, together with a hard copy duly signed by or on behalf of each of the directors of the issuer, as soon as reasonably practicable after any particulars on the form previously published cease to be accurate.

Inclusion of stock code in documents

17.52A An issuer shall set out its stock code in a prominent position on the cover page or, where there is no cover page, the first page of all announcements, circulars and other documents published by it pursuant to these GEM Listing Rules.

Announcements, circulars and other documents

Review of documents

17.53 Subject to rule 17.53A, where an issuer is obliged to publish any announcements, circulars or other documents for the purposes of the GEM Listing Rules, the documents need not be submitted to the Exchange for review before they are issued unless the documents fall within rule 17.53(1) or (2).

- (1) The issuer shall submit to the Exchange copies of drafts of the following documents for review before they are issued:
 - (a) listing document (including prospectus);
 - (b) circular relating to cancellation or withdrawal of listing of listed securities;
 - (c) circular relating to transaction or matter required under Chapter 19 of the GEM Listing Rules;
 - (d) circular relating to connected transaction (including continuing connected transaction) required under Chapter 20 of the GEM Listing Rules;

- (e) circular to the issuer's shareholders seeking their approval of:
 - (i) any transaction or arrangement under rule 17.39, 17.40 or 17.47(7);
 - (ii) any matter relating to share option scheme required under Chapter 23 of the GEM Listing Rules; or
 - (iii) any warrant proposal under rule 21.07(3); or
- (f) circulars or offer documents issued by the issuer in connection with takeovers, mergers or offers.

The issuer shall not issue such documents until the Exchange has confirmed that it has no further comments thereon.

- (2) The following transitional provisions apply to announcements set out in this rule and shall cease to have effect on such date as the Exchange may determine and promulgate.

An issuer shall submit to the Exchange copies of drafts of the following announcements for review before they are issued:

- (a) announcement for any very substantial disposal, very substantial acquisition or reverse takeover under rules 19.34 and 19.35;
- (b) announcement for any transaction or arrangement under rules 19.88 to 19.90; or
- (c) announcement for any matter relating to a cash company under rules 19.82 and 19.83.

The issuer shall not issue such announcements until the Exchange has confirmed that it has no further comments thereon.

- Notes: 1 4 copies of each document are required, which should be submitted in sufficient time for review and, if necessary, re-submission prior to dissemination or final printing.*
- 2 Upon submission, for review, of the first draft of any document by electronic means, the issuer or other responsible party, is required to notify the Listing Division of such submission by telephone, facsimile or letter.*
- 3 In the case of documents issued in connection with takeovers, mergers or offers covered by the Takeovers Code, the Exchange will pass its comments on the documents directly to the issuer and will at the same time provide a copy of such comments to the Commission.*
- 4 The Exchange reserves the right to require an issuer to issue a further announcement or document and/or take other remedial action if the original document does not comply with the requirements of the GEM Listing Rules.*

17.53A In addition to the specified requirements set out in rule 17.53, the Exchange has the right to request to review any announcements, circulars or other documents prior to publication in individual cases. In any such case, the Exchange will communicate to the issuer its direction to review the document prior to publication and the reasons for its decision. The issuer shall accordingly submit to the Exchange copies of drafts for review and shall not issue the document until the Exchange has confirmed that it has no further comments thereon.

17.53B An issuer proposing to publish an announcement, circular or other document pursuant to the GEM Listing Rules shall observe the following provisions:

- (1) Where the subject matter of the document may involve a change in or relate to or affect arrangements regarding trading in the issuer's listed securities (including a suspension or resumption of dealings, and a cancellation or withdrawal of listing), the issuer must consult the Exchange before the document is issued. The document must not include any reference to a specific date or specific timetable in respect of such matter which has not been agreed in advance with the Exchange.
- (2) If the issuer wishes to:
 - (a) ascertain whether or to what extent any provisions in the GEM Listing Rules apply to the document, or the transaction or matter to which it relates; or
 - (b) request a modification or dispensation with any requirements of the GEM Listing Rules in respect of the document, or the transaction or matter to which it relates,

relevant details, including the reasons and circumstances that give rise to the issues concerned, must be submitted to the Exchange in sufficient time for its determination.

17.53C The Exchange shall be authorised by the issuer to file "applications" (as defined in section 2 of the Statutory Rules) and those corporate disclosure materials within the meaning of sections 7(1) and (2) of the Statutory Rules received by the Exchange with the Commission pursuant to sections 5(2) and 7(3) of the Statutory Rules respectively and issuers shall be deemed to have agreed to the above by filing such applications and such corporate disclosure materials with the Exchange. The authorisation aforementioned 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, the issuer undertakes to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe.

- 17.54
- (1) Any listing document, circular or announcement issued by an issuer pursuant to the GEM Listing Rules is required to contain the statement of responsibility and confirmation set out in rule 2.18.
 - (2) Any listing document, circular, announcement or notice issued by an issuer pursuant to the GEM Listing Rules must contain on its front cover or inside front cover, or as a heading, a prominent and legible disclaimer statement in the form set out in rule 2.19.
 - (3) Any listing document or circular and every annual report and accounts, 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.
 - (4) Any listing document issued by an issuer must contain 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 stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

17.55 Where an announcement, advertisement or any other document contains a profit forecast, the provisions of rules 14.28 to 14.31 will apply.

Information Gathering

17.55A An issuer must provide to the Exchange as soon as possible, or otherwise in accordance with time limits imposed by the Exchange:

- (1) any information that the Exchange reasonably considers appropriate to protect investors or ensure the smooth operation of the market; and
- (2) any other information or explanation that the Exchange may reasonably require for the purpose of investigating a suspected breach of or verifying compliance with the GEM Listing Rules.

Presentation of information

17.56 Without prejudice to any specific requirements of the GEM Listing Rules as to content or responsibility for the document in question, any announcement, or corporation communication required pursuant to the GEM Listing Rules must be prepared having regard to the following general principles:—

- (1) the information contained in the document must be clearly presented and in the plain language format specified or recommended by the Exchange and/or the Commission from time to time; and
- (2) the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the issuer must not, among other things:—
 - (a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;
 - (b) present favourable possibilities as certain or as more probable than is likely to be the case;
 - (c) present projections without sufficient qualification or explanation; or
 - (d) present risk factors in a misleading way.

17.56A Any listing document, circular or announcement issued by an issuer pursuant to the GEM Listing Rules must disclose the name of each director as at the date of the relevant listing document, circular or announcement.

Forwarding of documents, circulars, etc.

17.57 An issuer must, upon request by the Exchange, provide the requested number of certified copies of all resolutions of the issuer including resolutions concerning any of the matters in rules 17.39 to 17.41, except resolutions concerning any other routine business at an annual general meeting, within 15 days after they are passed.

Circulars to holders of securities

17.58 In the event of a circular being issued to the holders of any of the issuer's securities, the issuer shall issue a copy or summary of such circular to the holders of all its other securities unless the contents of such circular are of no material concern to such other holders.

17.59 All circulars sent to holders of the issuer's securities must be in the English language and be accompanied by a Chinese translation or be in the Chinese language and be accompanied by an English translation. In respect of overseas members, it shall be sufficient for the issuer to mail an English language version of the circular if it contains a prominent statement in both English and Chinese to the effect that a Chinese language version of the circular is available from the issuer, on request.

17.59A [Repealed 1 January 2009]

Corporate communications to non registered holders of securities

17.60 An issuer shall:—

- (1) as soon as practicable following a request to HKSCC, and at the expense of the issuer, send to any non registered holder (by means permitted by the GEM Listing Rules) copies of any corporate communications; and
- (2) forward to each participant regardless of whether the participant is a member of the issuer, one copy of each of the corporate communications of the issuer that relate to the relevant Eligible Security, at the same time as they are despatched to the holders of those securities with registered addresses in Hong Kong. Whenever practicable, an issuer should provide a participant with such reasonable number of additional copies of these documents as the participant requests in advance and undertakes to forward to its bona fide clients who have beneficial interests in those Eligible Security.

Notes: 1 For the purpose of this rule, the following terms have the following meanings:—

"non registered holder" such a person or company whose listed securities are held in CCASS, directly or through a participant, and who has notified the issuer from time to time, through HKSCC, that such person or company wishes to receive corporate communications; and

"participant" a person or company admitted for the time being by HKSCC as a participant of CCASS.

2 HKSCC will provide listed issuers with up to date lists of participants.

Increases in authorised capital

17.61 Where an increase in authorised capital is proposed, the directors must state in the explanatory circular or other document accompanying the notice of meeting whether they have any present intention of issuing any part of that capital.

Trading and Settlement

Standard transfer form

- 17.62 In relation to the transfer of equity securities, an issuer must adopt the standard form of transfer as prescribed by the Exchange from time to time.

Certification of transfers

- 17.63 An issuer shall:—

- (1) certify transfers against certificates or temporary documents and return them by the seventh day after the date of receipt; and
- (2) split and return renounceable documents by the third business day after the date of receipt.

Note: Documents of title lodged for registration of probate should be returned with minimum delay, and, if possible, on the next business day following receipt.

Registration services

- 17.64 An issuer (or its registrar) must provide a standard securities registration service in accordance with rule 17.68. An issuer (or its registrar) may, but shall not be obliged to, provide an optional securities registration service in accordance with rule 17.69 and/or an expedited securities registration service in accordance with rule 17.70. An issuer (or its registrar) must also provide a bulk securities registration service in accordance with rule 17.71 and a certificate replacement service in accordance with rule 17.72. Subject to rule 17.65 below, the issuer shall ensure that where the issuer (or its registrar) charges a fee for registering transfers or cancelling, splitting, consolidating or issuing definitive certificates relating to the issuer's listed securities, such fee must not exceed, in total, the applicable amounts prescribed in rules 17.68 to 17.72.
- 17.65 An issuer shall ensure that where it (or its registrar) charges a fee for registering other documents relating to or affecting the title to the issuer's listed securities (e.g. probate, letters of administration, certificates of death or marriage, powers of attorney or other instruments or memorandum and articles of association in respect of a new corporate holder) or for marking or noting documents, such fee must not exceed HK\$5 per item per register.

Note: "Per item" shall be defined to mean each of such other documents submitted for registration.

- 17.66 It is the responsibility of an issuer whose registrar is in breach of any of rules 17.63 to 17.74 to report such breach to the Exchange as soon as it becomes aware of the breach and the Exchange reserves the right to communicate such information to the Commission.
- 17.67 Save as provided in rules 17.64 to 17.66 or rules 17.68 to 17.74, the issuer shall not and shall use all reasonable endeavour to ensure that neither its registrar nor other agents will charge holders or transferees any other fees for any dealings with them in connection with the transfer or transmission of its listed securities.

Issue of certificates, registration and other fees

- 17.68 (1) Standard securities registration service: An issuer shall (or shall procure that its registrar shall) issue definitive certificates arising out of a registration of transfer or the cancelling, splitting, consolidating or issuing (otherwise than pursuant to rule 17.72) of certificates within:—
- (a) 10 business days of the date of expiration of any right of renunciation; or
 - (b) 10 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the standard securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$2.50 multiplied by the number of certificates issued; or
 - (b) HK\$2.50 multiplied by the number of certificates cancelled.
- 17.69 (1) Optional securities registration service: An issuer (or its registrar) may, but shall not be obliged to, provide an optional securities registration service under which definitive certificates are required to be issued within:—
- (a) 6 business days of the date of expiration of any right of renunciation; or
 - (b) 6 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the optional securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$3.00 multiplied by the number of certificates issued; or
 - (b) HK\$3.00 multiplied by the number of certificates cancelled.
- (3) If the issuer (or its registrar) fails to effect any registration within the period of 6 business days specified in rule 17.69(1), the fee for such registration shall be that determined in accordance with rule 17.68(2).
- 17.70 (1) Expedited securities registration service: An issuer (or its registrar) may, but shall not be obliged to, provide an expedited securities registration service under which definitive certificates are required to be issued within:—
- (a) 3 business days of the date of expiration of any right of renunciation; or
 - (b) 3 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the expedited securities registration service shall not exceed, in total, the higher of the following:
- (a) HK\$20.00 multiplied by the number of certificates issued; or
 - (b) HK\$20.00 multiplied by the number of certificates cancelled.

- (3) If the issuer (or its registrar) fails to effect any registration within the period of 3 business days specified in rule 17.70(1), the registration shall be performed free of charge.

17.71 (1) Bulk securities registration service: An issuer shall (or shall procure that its registrar shall) provide a bulk securities registration service, for transfers of listed securities representing 2,000 or more board lots of the issuer's listed securities where the securities are being transferred from the name of a single holder into the name of another or the same single holder. Certificates shall be issued pursuant to the bulk securities registration service within 6 business days of the receipt of properly executed transfers or other relevant documents or the relevant certificates.

- (2) The fee for registration pursuant to the bulk securities registration service shall not exceed, in total, the higher of the following:—

- (a) HK\$2.00 multiplied by the number of certificates issued; or
- (b) HK\$2.00 multiplied by the number of certificates cancelled.

17.72 Certificate replacement service: An issuer shall (or shall procure that its registrar shall) provide a certificate replacement service. The fee for replacing certificates:

- (1) representing securities with a market value of HK\$200,000 or less (at the time the request for replacement is made) for a person named on the register shall not exceed HK\$200.00, plus the costs incurred by the issuer (or its registrar) in publishing the required public notice; or

- (2) either:

- (a) representing securities with a market value of more than HK\$200,000 (at the time the request for replacement is made); or
- (b) for a person not named on the register (irrespective of the market value of the securities concerned);

shall not exceed HK\$400.00, plus the costs incurred by the issuer (or its registrar) in publishing the required public notice.

17.73 For the purposes of rules 17.68 to 17.72,

- (1) the expression "business day" shall exclude Saturdays, Sundays and public holidays in Hong Kong; and
- (2) in computing any period of business days, such period shall be inclusive of the business day on which the relevant transfers, certificates or other documents were received (or, if such documents were not received on a business day, the business day next following their receipt) and of the business day on which the relevant certificates were delivered or otherwise made available.

17.74 References in rules 17.64 to 17.72 to the issuer's registrar providing a service, or to the issuer procuring that its registrar shall provide a service, shall not relieve the issuer of any obligations in respect of any acts or omissions of its registrar.

Registration arrangements

- 17.75 In connection with rules 17.63 to 17.74 if the issuer does not maintain its own registration department, appropriate arrangements must be made with the registrars to ensure compliance with the provisions of such rules.

Trading limits

- 17.76 Where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Change in board lot size

- 17.77 In the event of any amendment to the capital structure (such as a consolidation of shares) or any amendment to the board lot size, the Exchange reserves the right to request that adequate arrangements are made to enable resulting odd lot holders either to dispose of their odd lots or to round them up to a board lot. It may be appropriate for the issuer to appoint a broker as its agent to match the sales and purchases of odd lots or for the major shareholder itself or by its agent to stand in the market to buy or sell odd lot securities. The particular circumstances of an issuer may dictate the method by which odd lot holders are to be accommodated and issuers are urged to consult the Exchange at the earliest opportunity to agree on the appropriate trading method.

Closure of books and record date

- 17.78 (1) An issuer must announce any closure of its transfer books or register of members in respect of securities listed in Hong Kong at least six business days before the closure for a rights issue, or 10 business days before the closure in other cases. In cases where there is an alteration of book closing dates, a further notice shall be given at least five business days before the announced closure or the new closure, whichever is earlier, unless exceptional circumstances render the giving of such notice impossible, in which case, a further notice (by way of an announcement) should be given as soon as practicable, save that no further notice need be given in the circumstances referred to in rules 17.79 to 17.80. Where the issuer decides on a record date without book closure, these requirements apply to the record date.
- (2) An issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting. This rule shall not apply where the issuer announces the timetable of an entitlement on or before 19 June 2011.

Notes:

1. *For a rights issue, the issuer must provide at least two trading days for trading in the securities with entitlements (i.e. before the ex-date) after publication of the book closure. If trading on the Exchange is interrupted due to a typhoon and/or a black rainstorm warning, the book-close date will be automatically postponed, where necessary, to provide at least two trading days (during neither of which trading is interrupted) for trading of the securities with entitlements during the notice period. In these circumstances the issuer must publish an announcement on the revised timetable.*

2. *For the purposes of rule 17.78(2),*

- *the record date (when there is no book closure) or the last registration date (when there is a book closure) must be at least three business days after the general meeting; and*
- *if the issuer fails to publish the result of the poll conducted in the general meeting in the manner prescribed under rule 17.47(5), it must ensure there is at least one trading day for trading in the securities with entitlements after publication of the results of the poll. The issuer must publish an announcement on any revised timetable.*

Emergency share registration arrangement during a typhoon

17.79 Under the T+2 settlement system, securities trade ex-entitlement (an “ex-date”) for two trading days prior to the advertised date on which a listed issuer’s transfer books or register of members is to be closed (the “book-close date”) preceding a record date; the 2 trading days prior to the book-close date being referred to in this rule (and rule 17.80) as the first and second ex-date, respectively. A typhoon occurring on either of the two ex-dates may affect the ability of the purchaser to effect registration in time. Accordingly, in the event of a typhoon, the following arrangements will apply:—

- (1) Where the No. 8 signal or above is hoisted or remains hoisted between 9 am and 12 noon on either the first or second ex-date and is not lowered at or before 12 noon on the relevant ex-date:—
 - (a) the last time for accepting shares for registration shall be deferred to the next business day during normal business hours for each ex-date affected; and
 - (b) the book-close date shall be automatically postponed by the number of ex-dates affected;
- (2) Where the No. 8 signal or above is hoisted or remains hoisted between 12 noon and 3 pm on either the first or second ex-date:—
 - (a) the last time for accepting shares for registration shall be deferred to the next business day during normal business hours for each ex-date affected; and
 - (b) the book-close date shall be automatically postponed by the number of ex-dates affected;
- (3) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the first ex-date, no changes will be made to the timetable for accepting shares for registration in respect of the reduced business hours on such ex-date;
- (4) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the second ex-date but lowered at or before 9 am on the next business day:—
 - (a) the last time for accepting shares for registration shall be deferred to 12 noon on the next business day; and
 - (b) if the original book-close date is not a business day, the book-close date shall be automatically postponed to the next business day;
- (5) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the second ex-date but lowered after 9 am but at or before 12 noon on the next business day:—
 - (a) the last time for accepting shares for registration shall be deferred to 5 pm on the next business day; and

- (b) if the original book-close date is not a business day, the book-close date shall be automatically postponed to the next business day;
- (6) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the second ex-date but not lowered until after 12 noon on the next business day:—
 - (a) the last time for accepting shares for registration shall be deferred to 12 noon on the following business day; and
 - (b) the book-close date shall be automatically postponed to such date;
- (7) Where the No. 8 signal is lowered at or before 12 noon on the first ex-date, no changes will be made in respect of the time for accepting shares for registration or the book-close date in respect of the reduced business hours on such ex-date. On the other hand, where the No. 8 signal is lowered at or before 12 noon on the second ex-date, the time for accepting shares for registration shall be deferred to at least 5 pm on the same day but no change will automatically be made to the book-close date;
- (8) In each of the circumstances referred to in sub-paragraphs (1) to (7) above, listed issuers may alter the stated book-closure period in accordance with any delays made to the book-close date so that the book-closure period remains the same;
- (9) Listed issuers shall not be required to make any announcements with respect to changes made to the ex-dates or the book-close date in accordance with this rule. All investors and practitioners should be aware of these emergency share registration arrangements as any subsequent announcement given of date changes after a typhoon is not likely to assist them. On the other hand, if the deferments referred to above affect the dividend payment date or the end of the book-closure period, a listed issuer must give notice (by way of an announcement) of the new dividend payment date and any extension in the book-closure period as soon as practicable;
- (10) Where any of the circumstances referred to in sub-paragraphs (1) to (7) above occur on any deferred ex-dates or on a postponed book-close date, the same arrangements will apply mutatis mutandis;
- (11) Listed issuers are required to ensure that where a book-close date is automatically altered by virtue of these arrangements any reference to such date in a resolution, listing document, announcement or circular to shareholders will include such altered date.

Notes: 1 For clarity, the proposed arrangements have been summarised in Table 1 set out at the end of this Chapter.

2 For the purposes of this rule and Table 1 set out at the end of this Chapter:—

- (a) *references to “normal business hours” in respect of a share registrar means at least 9 am to 4 pm; and*
- (b) *references to a “trading day” shall have the same meaning as in the Rules of the Exchange.*

Emergency share registration arrangements during a black rainstorm warning

17.80 A black rainstorm warning occurring on either of the 2 ex-dates (as defined in rule 17.79) may affect the ability of the purchaser to effect registration in time. Accordingly, in the event of a black rainstorm warning, the following arrangements will apply:-

- (1) Where a black rainstorm warning is issued before 9 am and remains in effect at 12 noon:—
 - (a) the last time for accepting shares for registration shall be deferred to the next business day during normal business hours for each ex-date affected; and
 - (b) the book-close date shall be automatically postponed by the number of ex-dates affected;
- (2) Where a black rainstorm warning issued before 9 am is cancelled at or before 12 noon on either the first or second ex-date, the time for accepting shares for registration shall be deferred to 5 pm on the same day but no change will automatically be made to the book-close date;
- (3) Where a black rainstorm warning is issued at or after 9 am, no changes will be made in respect of the time for accepting shares for registration or the book-close date as the share registrar will open to the public as normal;
- (4) In each of the circumstances referred to sub-paragraph (1) to (3) above, listed issuers may alter the stated book-closure period in accordance with any delays made to the book-close date so that the book-closure period remains the same;
- (5) Listed issuers shall not be required to make any announcements with respect to changes made to the ex-dates or the book-close date in accordance with this rule. All investors and practitioners should be aware of these emergency share registration arrangements as any subsequent announcement given of date changes after a black rainstorm warning is not likely to assist them. On the other hand, if the deferments referred to above affect the dividend payment date or the end of the book-closure period, a listed issuer must give notice (by way of an announcement) of the new dividend payment date and any extension in the book-closure period as soon as practicable;
- (6) Where any of the circumstances referred to in sub-paragraphs (1) to (3) above occur on any deferred ex-dates or on a postponed book-close date, the same arrangements will apply *mutatis mutandis*;
- (7) Listed issuers are required to ensure that where a book-close date is automatically altered by virtue of these arrangements any reference to such date in a resolution, listing document, announcement or circular to shareholders will include such altered date.

Notes: 1 For clarity, the proposed arrangements have been summarised in Table 2 set out in the end of this Chapter.

2 For the purposes of this rule and Table 2 set out at the end of this Chapter:—

- (a) references to “normal business hours” in respect of a share registrar means at least 9 am to 4 pm; and
- (b) references to a “trading day” shall have the same meaning as in the Rules of the Exchange.

Miscellaneous obligations

17.81 [Repealed 1 January 2005]

17.82 [Repealed 1 January 2005]

17.83 [Repealed 1 January 2005]

17.84 [Repealed 1 January 2005]

17.85 [Repealed 1 January 2005]

17.86 [Repealed 1 January 2005]

17.87 [Repealed 1 January 2005]

Equality of treatment

17.88 An issuer shall ensure equality of treatment for all holders of securities of the same class who are in the same position.

Takeovers and share repurchases

17.89 An issuer must comply with the Takeovers Code and the Code on Share Buy-backs.

Note: Where the consideration under an offer includes securities for which listing is being or is to be sought, the offer document(s) will constitute a listing document.

Directors' service contracts

17.90 An issuer shall obtain the prior approval of its shareholders in a general meeting (at which the relevant director and his associates shall not vote on the matter) for any service contract to be granted by the issuer or any of its subsidiaries to any director or proposed director of the issuer or to any director or proposed director of any of its subsidiaries which:–

- (a) is for a duration that may exceed 3 years; or
- (b) in order to entitle the issuer to terminate the contract, expressly requires the issuer to give a period of notice of more than 1 year or to pay compensation or make other payments equivalent to more than 1 year's remuneration.

The remuneration committee of the issuer (if any and provided that such committee has a majority of independent non-executive directors) or an independent board committee shall form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders who are directors with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the issuer and its shareholders as a whole and advise shareholders on how to vote. An independent non-executive director who has a material interest in any such contracts shall not sit on the independent board committee.

Note: A contract is relevant whether or not reduced to writing. A service contract is relevant whether granted by the issuer or any of its subsidiaries. A service contract not for a fixed period is to be regarded as running at least until the earliest date on which it can lawfully be determined by the employing company without payment of compensation (other than statutory compensation). Where an arrangement exists under which a director can require the issuer or any of its subsidiaries to enter into a further service contract with him, the arrangement will be regarded as a provision for extending the period of his existing service contract and taken into account in determining its duration.

17.91 Directors' service contracts entered into by an issuer or any of its subsidiaries in accordance with the GEM Listing Rules on or before 31 January, 2004 are exempt from the shareholders' approval requirement under rule 17.90. Upon any variation as to duration or payment on termination or any other material terms of the directors' service contracts or renewal of any such directors' service contracts, the issuer must comply in full with the requirements set out in rule 17.90 in respect of the service contracts effected after such variation or renewal. Pursuant to rule 18.24A, the issuer must include particulars of any service contracts that are exempt under this rule in its annual reports during the term of any such service contracts.

Independent financial advisers

17.92 An independent financial adviser appointed under rule 17.47(6)(b), rule 20.42 or rule 24.05(6)(a)(ii) must take all reasonable steps to satisfy itself that:

- (1) it has a reasonable basis for making the statements required by rule 20.43; and
- (2) without limiting the generality of paragraph (1) above, there is no reason to believe any of the following information is not true or omits a material fact:
 - (a) any information relied on by the independent financial adviser in forming its opinion; or
 - (b) any information relied on by any third party expert on whose opinion or advice the independent financial adviser relies in forming its opinion.

Notes: 1. *For the purposes of this rule, the Exchange expects that the reasonable steps an independent financial adviser will typically perform will include the following:*

- (a) obtaining all information and documents of the issuer relevant to an assessment of the fairness and reasonableness of the terms of the transaction, for example, if the transaction involves the purchase or sale of products or services, information and documents showing the prices at which the issuer buys and sells such products and services to independent third parties;*
- (b) researching the relevant market and other conditions and trends relevant to the pricing of the transaction;*
- (c) reviewing the fairness, reasonableness and completeness of any assumptions or projections relevant to the transaction;*
- (d) without limiting the generality of paragraph (c) above, in relation to any third party expert providing an opinion or valuation relevant to the transaction:*
 - (i) interviewing the expert including as to its expertise and any current or prior relationships with the issuer, other parties to the transaction, and core connected persons of either the issuer or another party to the transaction;*
 - (ii) reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report, opinion or statement); and*

- (iii) *where the independent financial adviser is aware the issuer or another party to the transaction has made formal or informal representations to the expert, assessing whether the representations are in accordance with the independent financial adviser's knowledge; and*
 - (e) *if there have been any relevant alternative offers made (for example, offers made recently for the same asset), then reviewing and assessing such alternative offers and the reasons given, if any, by the management for rejecting these offers.*
- 2. *The Exchange expects the independent financial adviser will ensure the letter referred to at rule 20.43 takes account of the following principles:*
 - (a) *the source for any fact which is material to an argument should be clearly stated, including sufficient detail to enable the significance of the fact to be assessed; however, if the fact has been included in a document recently sent to shareholders, an appropriate cross reference may instead be made;*
 - (b) *a quotation (for example, from a newspaper or a stockbroker circular) should not be used out of context and details of the origin should be included. Since quotations will necessarily carry the implication that they are endorsed by the independent financial adviser, quotations should not be used unless the independent financial adviser has corroborated or substantiated them;*
 - (c) *pictorial representations, charts, graphs and diagrams should be presented without distortion and, when relevant, should be to scale; and*
 - (d) *any comparables referred to in a document must be a fair and representative sample. The bases for compiling such comparables must be clearly stated in the document.*

17.93 The issuer must:

- (1) afford any independent financial adviser it appoints pursuant to rule 17.47(6)(b) or rule 24.05(6)(a)(ii) full access at all times to all persons, premises and documents relevant to the independent financial adviser's performance of its duties as set out in the GEM Listing Rules. In particular, terms of engagement with experts retained to perform services related to the transaction should contain clauses entitling the independent financial adviser access to:
 - (a) any such expert;
 - (b) the expert's reports, draft reports (both written and oral), and terms of engagement;
 - (c) information provided to or relied on by the expert;
 - (d) information provided by the expert to the Exchange or Commission; and
 - (e) all other correspondence exchanged between the issuer or its agents and the expert or between the expert, the issuer and the Exchange or Commission;

Note: The Exchange expects that access to documents for the purposes of this rule would include the right to take copies of the documents without charge.

- (2) keep the independent financial adviser it appoints informed of any material change to any information previously given to or accessed by the independent financial adviser pursuant to paragraph (1) above; and
- (3) provide to or procure for the independent financial adviser all necessary consents to the provision of the information referred to in paragraphs (1) and (2) above to the independent financial adviser.

17.94 An independent financial adviser must be appropriately licensed by the Commission and must discharge its responsibilities with due care and skill.

17.95 An independent financial adviser must perform its duties with impartiality.

17.96 An independent financial adviser must be independent from any issuer for whom it acts. An independent financial adviser is not independent if any of the following circumstances exist as at the time of making the declaration required by rule 17.97(1):

- (1) the IFA group and any director or close associate of a director of the independent financial adviser holds, directly or indirectly, in aggregate more than 5% of the number of issued shares of the issuer, another party to the transaction, or a close associate or core connected person of the issuer or another party to the transaction;
- (1A) in the case of a connected transaction, the independent financial adviser holds more than 5% of the number of issued shares of an associate of another party to the transaction;
- (2) any member of the IFA group or any director or close associate of a director of the independent financial adviser is a close associate or core connected person of the issuer or another party to the transaction;
- (2A) in the case of a connected transaction, the independent financial adviser is an associate of another party to the transaction;
- (3) any of the following exceeds 10% of the total assets shown in the latest consolidated financial statements of the independent financial adviser's ultimate holding company or, where there is no ultimate holding company, the independent financial adviser:
 - (a) the aggregate of:
 - (i) amounts due to the IFA group from:
 - (A) the issuer;
 - (B) its subsidiaries;
 - (C) its controlling shareholder; and
 - (D) any close associates of its controlling shareholder; and
 - (ii) all guarantees given by the IFA group on behalf of:
 - (A) the issuer;
 - (B) its subsidiaries;
 - (C) its controlling shareholder; and

- (D) any close associates of its controlling shareholder;
- (b) the aggregate of:
 - (i) amounts due from the IFA group to:
 - (A) the issuer;
 - (B) its subsidiaries; and
 - (C) its controlling shareholder; and
 - (ii) all guarantees given on behalf of the IFA group by:
 - (A) the issuer;
 - (B) its subsidiaries; and
 - (C) its controlling shareholder;
- (c) the aggregate of:
 - (i) amounts due from the IFA group to any of the following (referred to in this rule as “the Other Parties”):
 - (A) another party to the transaction;
 - (B) any holding company of another party to the transaction;
 - (C) any subsidiary of any holding company of another party to the transaction;
 - (D) any controlling shareholder of:
 - (1) another party to the transaction; or
 - (2) any holding company of another party to the transaction; and
 - (E) any close associate of any controlling shareholder referred to in paragraph (D) above; and
 - (ii) all guarantees given by any of the Other Parties on behalf of the IFA group; and
- (d) the aggregate of:
 - (i) amounts due to the IFA group from any of the Other Parties; and
 - (ii) all guarantees given by the IFA group on behalf of any of the Other Parties;
- (4) any of the following has a current business relationship with the issuer or another party to the transaction, or a director, subsidiary, holding company or substantial shareholder of the issuer or another party to the transaction, which would be reasonably considered to affect the independent financial adviser’s independence in performing its duties as set out in the GEM Listing Rules, or might reasonably give rise to a perception that the independent financial adviser’s independence would be so affected, except where that relationship arises under the independent financial adviser’s appointment to provide the advice:
 - (a) any member of the IFA group;
 - (b) an employee of the independent financial adviser who is directly engaged in providing the advice to the issuer;

- (c) a close associate of an employee of the independent financial adviser who is directly engaged in providing the advice to the issuer;
 - (d) a director of any member of the IFA group; or
 - (e) a close associate of a director of any member of the IFA group;
- (5) within 2 years prior to making the declaration pursuant to rule 17.97(1):
- (a) a member of the IFA group has served as a financial adviser to:
 - (i) the issuer or its subsidiaries;
 - (ii) another party to the transaction or its subsidiaries; or
 - (iii) a core connected person of the issuer or another party to the transaction; or
 - (b) without limiting paragraph (a), an employee or a director of the independent financial adviser who is directly engaged in providing the subject advice to the issuer:
 - (i) was employed by or was a director of another firm that served as a financial adviser to any of the entities referred to at paragraphs (a)(i) to (a)(iii) above; and
 - (ii) in that capacity, was directly engaged in the provision of financial advice to the issuer or another party to the transaction;
- (6) the independent financial adviser or a member of the IFA group is the issuer's auditor or reporting accountant.

Notes: 1. In addition to it being a breach of the GEM Listing Rules, if it comes to the Exchange's attention that an independent financial adviser is not independent, the Exchange will not accept documents produced by that independent financial adviser for any purpose required under the GEM Listing Rules in relation to the subject transaction.

2. In calculating the percentage figure of shares that it holds or will hold for the purposes of sub-paragraphs (1), (2) and (4), an entity is not required to include an interest:

- (a) held by an investment entity on behalf of its discretionary clients;*
- (b) held by a fund manager on a non-discretionary basis such as a managed account or managed fund;*
- (c) held in a market-making capacity;*
- (d) held in a custodial capacity;*
- (e) in shares that would be disregarded for the purposes of Divisions 2 to 4 of Part XV of the Securities and Futures Ordinance under section 323 of that Ordinance; or*
- (f) in shares held by a member of the entity's group that is an investment manager whose interest would not be aggregated with its holding company under section 316(2) of the Securities and Futures Ordinance by reason of the operation of section 316(5) of that Ordinance.*

For these purposes “investment manager” has the meaning given to it in section 316(7) of the Securities and Futures Ordinance.

3. *For the purposes of this rule, ultimate holding company means a holding company that itself does not have a holding company.*

17.97 No later than the earlier of the independent financial adviser agreeing its terms of engagement with the issuer and the independent financial adviser commencing work as independent financial adviser to the issuer, the independent financial adviser must submit to the Exchange:

- (1) a declaration in the prescribed form set out in Appendix 13 to the effect that the independent financial adviser is independent, including a statement addressing each of the circumstances set out in rule 17.96; and
- (2) an undertaking, in the terms set out in Appendix 14 to:
 - (a) comply with the GEM Listing Rules; and
 - (b) co-operate in any investigation conducted by the Listing Division and/or the GEM Listing Committee of the Exchange, including answering promptly and openly any questions addressed to the independent financial adviser, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which the independent financial adviser is requested to appear.

17.98 Where an independent financial adviser or issuer becomes aware of a change in the circumstances set out in the declaration required by rule 17.97(1) during the period the independent financial adviser is engaged by the issuer, the independent financial adviser or issuer must notify the Exchange as soon as possible upon that change occurring.

17.99 Insofar as the GEM Listing Rules impose a higher standard of conduct on independent financial advisers than that set out in the Commission’s Corporate Finance Adviser Code of Conduct, the Code of Conduct, the Takeovers Code, the Share Buy-backs Code and all other relevant codes and guidelines applicable to them, the GEM Listing Rules will prevail.

Note: The Exchange also reminds independent financial advisers of their other statutory obligations including but not limited to those under the Securities and Futures Ordinance.

Appointment and removal of auditor prior to expiration of his term of office

17.100 The issuer must at each annual general meeting appoint an auditor to hold office from the conclusion of that meeting until the next annual general meeting. The issuer must not remove its auditor before the end of the auditor’s term of office without first obtaining shareholders’ approval at a general meeting. An issuer must send a circular proposing the removal of the auditor to shareholders with any written representations from the auditor, not less than 10 business days before the general meeting. An issuer must allow the auditor to attend the general meeting and make written and/or verbal representations to shareholders at the general meeting.

Corporate Governance Code

17.101 (1) The Corporate Governance Code in Appendix 15 sets out the principles of good corporate governance and two levels of recommendations: (a) code provisions; and (b) recommended best practices. Issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only.

Note: Issuers may also devise their own code on corporate governance practices on such terms as they may consider appropriate.

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

Note: For the requirements governing preliminary results announcements, see rules 18.50 and 18.78.

- (3) Where the issuer deviates from the code provisions, it must give considered reasons:
- (a) for annual reports (and summary financial reports), in the Corporate Governance Report under Appendix 15; and
 - (b) for half-year reports (and summary half-year reports), either:
 - (i) by giving considered reasons for each deviation; or
 - (ii) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report, and providing details of any changes together with considered reasons for any deviation not reported in that annual report. The references must be clear and unambiguous and the half-year report (or summary half-year report) must not contain only a cross-reference without any discussion of the matter.
- (4) For the recommended best practices, issuers are encouraged, but are not required, to state whether they have complied with them and give considered reasons for any deviation.

Publication of issuers' constitutional documents

17.102 An issuer must publish on its own website and on the GEM website, an up to date consolidated version of its memorandum and articles of association or equivalent constitutional document.

Environmental and Social Matters

- 17.103 (1) The Environmental, Social and Governance ("ESG") Reporting Guide in Appendix 20 comprises two levels of disclosure obligations: (a) "comply or explain" provisions; and (b) recommended disclosures.
- (2) Issuers must state whether they have complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the relevant financial year in their annual reports or in separate ESG reports.
- (3) Where the issuer deviates from the "comply or explain" provisions, it must give considered reasons in its ESG report.
- (4) Issuers are encouraged, but not required, to report on the recommended disclosures of the ESG Reporting Guide.
- (5) Issuers must publish their ESG reports on an annual basis and regarding the same period covered in their annual reports.

Notes:

- (1) *An ESG report may be presented as information in the issuer's annual report, in a separate report, or on the issuer's website. Where not presented in the issuer's annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report.*
- (2) *As regards "Subject Area A. Environmental" of the ESG Reporting Guide, the upgrade of the Key Performance Indicators to "comply or explain" will come into effect for issuers' financial years beginning on or after 1 January 2017.*

TABLE 1 (CHAPTER 17)
EMERGENCY SHARE REGISTRATION ARRANGEMENTS FOR T + 2
SETTLEMENT SYSTEM

Event	Ex-entitlement Day (Ex-Date)	Typhoon Approach/Retreat		Registrar Time for Accepting Shares for Registration	Book-Close Date	Closed Period for Transfer Books or Register of Members	Announcements Required
		Time	Status of Signal				
1	First	9 am - 12 noon	No. 8 Signal or above is hoisted or remains hoisted and is not lowered at or before 12 noon	For each ex-date affected defer to the next business day (normal business hours)	Automatically postponed by number of ex- dates affected	The book-closure period may be extended in accordance with the delay to the book- close date so that the book-closure period remains the same	No announcement required unless:- (i) the payment date is also deferred, in which case an announcement of the new payment date must be made by the listed issuer; or (ii) the book-closure period is extended, in both cases the listed issuer must publish a notice of such changes as soon as possible.
2	Second						
3	First	12 noon - 3 pm	No. 8 Signal or above is hoisted or remains hoisted during this period				
4	Second						
5	First	3 pm - 4 pm	No. 8 Signal or above is hoisted	No deferment on first ex-date	No change	No change	No announcement required
6	Second	3 pm - 4 pm	No. 8 Signal or above is hoisted but lowered at or before 9 am on the next business day	Defer to 12 noon or the next business day	If the original book-close date is a business day - no change. Otherwise postponed to the next business day	The book-closure period may be extended in accordance with the delay to the book- close date so that the book-closure period remains the same	No announcement required unless:- (i) the payment date is also deferred, in which case an announcement of the new payment date must be made by the listed issuer; or (ii) the book-closure period is extended, in both cases the listed issuer must publish a notice of such changes as soon as practicable.

Event	Ex-entitlement Day (Ex-Date)	Typhoon Approach/Retreat		Registrar Time for Accepting Shares for Registration	Book-Close Date	Closed Period for Transfer Books or Register of Members	Announcements Required
		Time	Status of Signal				
7	Second	3 pm - 4 pm	No. 8 Signal or above is hoisted but lowered after 9 am but at or before 12 noon on the next business day	Defer to 5 pm on the next business day	If the original book-close date book-close date is a business day – no change. Otherwise postponed to the next business day		
8	Second	3 pm - 4 pm	No. 8 Signal or above is hoisted but not lowered until after 12 noon on the next business day	Defer to 12 noon on the business day following the next business day ("B day")	Automatically postponed to B day		
9	First	At or before 12 noon	No. 8 Signal is lowered	No deferment	No change	No change	No announcement required
10	Second	At or before 12 noon	No. 8 Signal is lowered	Extension to 5 pm			

NB: Where any of the above events happen on deferred ex-dates or on a postponed book-close date the relevant arrangements set out above will apply mutatis mutandis.

TABLE 2 (CHAPTER 17)
EMERGENCY SHARE REGISTRATION ARRANGEMENTS DURING A BLACK RAINSTORM WARNING

Event	Ex-entitlement Day (Ex-Date)	Issue/cancellation of a Black Rainstorm Warning		Registrar		Book-Close Date	Closed Period for Transfer Books or Register of Members	Announcements Required
		Time	Status of Signal		Time for Accepting Shares for Registration			
1	First	Before 9 am	A Black Rainstorm Warning is issued and remains in effect at 12 noon		For each ex-date affected defer to the next business day (normal business hours)	Automatically postponed by number of ex-dates affected	The book-closure period may be extended in accordance with the delay to the book-close date so that the book-closure period remains the same	No announcement required unless:– (i) the payment date is also deferred, in which case an announcement of the new payment date must be made by the listed issuer, or (ii) the book-closure period is extended, in both cases the listed issuer must publish a notice of such changes as soon as possible.
2	Second							
3	First	Before 9 am	A Black Rainstorm Warning is issued before 9 am but cancelled at or prior to 12 noon		Extension to 5 pm on the same day	No change	No change	No announcement required
4	Second							
5	First	At or after 9 am	A Black Rainstorm Warning issued at or after 9 am		No change	No change	No change	No announcement required
6	Second							

NB: Where any of the above events happen on deferred ex-dates or on a postponed book-close date the relevant arrangements set out above will apply mutatis mutandis.

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, 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 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:

Chapter 7	—	Accountants' Reports and Pro Forma Financial Information
Chapter 14	—	Listing Documents
Chapter 19	—	Notifiable Transactions
Chapter 20	—	Connected Transactions

Additional disclosure requirements in respect of routine financial information are set out in the following Chapters, in so far as they relate to the following issuers:—

Chapter 24	—	Overseas issuers
Chapter 25	—	PRC issuers
Chapter 31	—	Issuers of debt securities

Note: In circumstances where the disclosure requirements of Chapters 24 or 25, as appropriate, are inconsistent with the requirements of this Chapter, the requirements of Chapters 24 or 25, as appropriate, shall prevail.

- 18.02 A listed issuer is required to prepare annual financial statements, 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 3 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.

Nothing in this rule shall require the listed issuer to send any of the documents referred to therein to:—

- (a) a person of whose address the listed issuer is unaware; or
- (b) more than one of the joint holders of any of its listed securities.

Notes: 1 "Consolidated financial statements," for the purposes of a Hong Kong listed issuer, has the meaning ascribed to it under section 379(2) of the Companies Ordinance.

- 2 The directors' report, auditors' report, annual financial statements (including consolidated financial statements) and, where applicable, summary financial report must be in the English language and must be accompanied by a Chinese translation or be in the Chinese language accompanied by an English translation. In respect of overseas members, it shall be sufficient for the listed issuer to mail an English language version of either (i) its directors' report, auditors' report and annual financial statements or (ii) its summary financial report if such documents contain a prominent statement in both English and Chinese to the effect that a Chinese translation is available from the listed issuer, on request.*
- 3 Sections 429 and 431 of the Companies Ordinance require the directors of a Hong Kong issuer to lay the issuer's annual financial statements before its members at its annual general meeting within the period of 6 months after the end of the financial year or accounting reference period to which the annual financial statements relate. An overseas issuer (including for such purposes, a PRC issuer) should comply with the same requirement as a Hong Kong issuer.*
- 4 The Exchange may at its discretion suspend dealings in or cancel the listing of the securities of the listed issuer if it falls into arrears in the issue of its directors' report and financial statements. If the listed issuer has significant interests outside Hong Kong it may apply for an extension of the 6 month period. However, the attention of a Hong Kong issuer is drawn to section 431 of the Companies Ordinance which requires any extension of the time limit to be approved by the Court of First Instance.*
- 5 [Repealed 1 January 2011]*

Accounting standards

- 18.04 Annual financial statements of a listed issuer are required, subject to rule 18.05 and rule 18.06, to conform with HKFRS, IFRS or CASBE in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

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

- 18.05 A listed issuer, which is also listed on the New York Stock Exchange or the Nasdaq Stock Market of the United States of America, may prepare annual financial statements 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 Stock 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 Stock Market of the United States of America and thereafter adopts US GAAP in place of the standards referred to in rule 18.04 in the preparation of its annual financial statements will be required to compile a statement of the financial effect of material differences from the standards referred to in rule 18.04 in the first annual financial statements 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 Stock Market of the United States of America but is no longer so listed, will be required to revert to one of the relevant 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.

- 18.06 Where the Exchange, in exceptional circumstances, allows the annual financial statements of any overseas issuer to be drawn up otherwise than in conformity with accounting standards referred to in rule 18.04 or with US GAAP in the circumstances set out in rule 18.05, the Exchange will normally require the annual financial statements 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 HKFRS or IFRS referred to in rule 18.04.

Information to accompany directors' report and annual financial statements

- 18.07 The listed issuer shall include the disclosures required under the relevant accounting standards adopted and the information set out in rules 18.07A to 18.47 in its directors' report and annual financial statements. Unless stated to the contrary the financial information specified in these rules may be included outside the financial statements and will therefore be outside the scope of the auditors' report on the financial statements. The statement of profit or loss and other comprehensive income and statement of financial position set out in the financial statements must include at least the information set out in rule 18.50B. Banking companies (meaning banks, restricted licence banks and deposit-taking companies as defined in the Banking Ordinance) shall, in addition, comply with the Guideline on the Application of the Banking (Disclosure) Rules as issued by the Hong Kong Monetary Authority.

- Notes: 1 *The Exchange may authorise the omission from an annual report of specified items of information if it considers that disclosure of such information would be contrary to the public interest or seriously detrimental to the listed issuer. The Exchange will only authorise such omission provided it is satisfied that the omission is not likely to mislead the public with regard to facts and circumstances, knowledge of which is essential for the assessment of the securities in question. The listed issuer or its representatives will be responsible for the correctness and relevance of the facts on which any application for such exemption is based.*
- 2 *The annual report and financial statements 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.*
- 3 *If an accounting estimate reported in prior interim period of the current financial year is changed during the subsequent interim period of the same financial year and has a material effect in that subsequent interim period, the nature and amount of a change in an accounting estimate that has a material effect in the current financial year or which is expected to have a material effect in subsequent periods should be disclosed. If it is impracticable to quantify the amount, this fact should be disclosed.*
- 4 *An annual 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;*
 - (e) financial assistance and guarantees to affiliated companies of an issuer under rule 17.24;*
 - (f) provision of information in respect of and by directors, supervisors and chief executives under rule 17.50A(1);*
 - (g) for an issuer involving in mining activities, continuing disclosure obligations arise under rules 18A.14 to 18A.17, where appropriate;*
 - (h) information of profit guarantee provided by a connected person regarding the financial performance of the company or business acquired from the connected person under rule 20.61;*
 - (i) share option schemes under rules 23.07, 23.08 and 23.09; and*
 - (j) provision of information in respect of corporate governance code provisions B.1.5 (remuneration payable to members of senior management by band) and C.1.4 (discussion and analysis of group's performance) of Appendix 15 or explain reason for deviation.*
- 5 *Issuers must publish ESG reports in accordance with Rule 17.103 and the ESG Reporting Guide contained in Appendix 20.*

18.07A In addition, a listed issuer shall include disclosures required under the following provisions of the Companies Ordinance and subsidiary legislation:–

- (1) in financial statements
 - (a) Section 383 – Notes to financial statements to contain information on directors' emoluments etc.;
 - (b) Schedule 4 – Accounting Disclosures relating to:
 - (i) Part 1(1) Aggregate amount of authorized loans;
 - (ii) Part 1(2) Statement of financial position to be contained in notes to annual consolidated financial statements;
 - (iii) Part 1(3) Subsidiary's financial statements must contain particulars of ultimate parent undertaking;
 - (iv) Part 2(1) Remuneration of auditor; and
 - (c) Companies (Disclosure of Information about Benefits of Directors) Regulation; and
- (2) in directors' report
 - (a) Section 390 – Contents of directors' report: general;
 - (b) Section 470 – Permitted indemnity provision to be disclosed in directors' report;
 - (c) Section 543 – Disclosure of management contract;
 - (d) Schedule 5 – Content of Directors' Report: Business Review; and
 - (e) Companies (Directors' Report) Regulation.

Notes: 1 Directors must prepare the directors' report which complies with section 388 of the Companies Ordinance and the directors' report must be approved and signed, which complies with section 391 of the Companies Ordinance.

2 Section 390(3)(b) of the Companies Ordinance requires a company to disclose the name(s) of the director(s) of its subsidiaries. Notwithstanding the disclosure provisions in sub-paragraph 2(a) above, a listed issuer not incorporated in Hong Kong is not required to disclose the name(s) of its subsidiaries' director(s).

18.08 [Repealed 31 December 2015]

18.08A In each annual report and half-year report published during at least the first 2 full financial years after listing, a statement by the directors 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).

Notes:

- 1 *For general guidance, issuers may include information such as:*
 - (a) *significant developments by key business segments;*
 - (b) *trends, internal and external environmental and industry factors affecting performance or achievement of the objectives;*
 - (c) *the principal risks and uncertainties facing the issuer or its group, including strategic, operational and financial risks; and*
 - (d) *the key performance indicators used by the directors to measure performance in achieving the issuer's objectives.*
 - 2 *Key performance indicators are factors by reference to which the development, performance or position of the business can be measured effectively. For the purposes of rule 18.08A these rules issuers should determine and disclose their own key performance indicators which should be of a quantitative nature so that the level of achievement of objectives can be quantified. Such quantitative standards may include, for example:*
 - (a) *customer retention and satisfaction*
 - (b) *capital adequacy and expenditure*
 - (c) *store portfolio changes*
 - (d) *reserve replacement costs*
 - (e) *equipment utilisation and capacity*
 - (f) *loan loss*
 - (g) *asset quality*
 - (h) *expected return on sales*
 - (i) *sales volume per square foot of store space, etc.*
 - 3 *The issuer should use, where appropriate, a tabular format of presentation with a recitation of the business objectives (as stated in its listing document) on one side and the directors' comments about level of achievement on the other.*
- 18.08B An issuer shall include in its annual report a statement of sufficiency of public float with information as required under rule 17.38A.
- 18.09 (1) In relation to connected transactions (including continuing connected transactions) that are not exempt from annual reporting requirement in Chapter 20, particulars of the transactions pursuant to rule 20.69.

- (2) Where a listed issuer includes in its annual report particulars of a related party transaction or continuing related party transaction (as the case may be) in accordance with applicable accounting standards adopted for the preparation of its annual financial statements, a statement as to whether or not the transaction falls under the definition of “connected transaction” or “continuing connected transaction” (as the case may be) in Chapter 20. The listed issuer must also confirm whether or not it has complied with the disclosure requirements in accordance with Chapter 20.

18.10 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.

- 18.11 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.
- 18.12 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.
- 18.13 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.
- 18.14 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)).

18.15 (1) Subject to rule 18.15(2), a statement as at the end of the relevant financial year 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 issuers 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 18.15(1) must specify the company in which interests or short positions are held, the class to which those 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.

18.16 A statement as at the end of the relevant financial year, 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 18.15 and 18.16, 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 18.15 and 18.16 inclusive shall also mean and include supervisors.

18.17 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 corporation should be disclosed.

18.17A 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.*

18.17B 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.*

18.17C 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 18.17B, except that note (3) to Rule 18.17B(1) does not apply.

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

18.19 A statement in the accounting policies section of the financial statements indicating which accounting body's generally accepted accounting principles and standards have been followed in the preparation of the financial statements.

18.20 A statement as to the reasons for any significant departure from accounting standards adopted by the listed issuer for the preparation of its annual financial statements.

Note: In this regard, refer to rules 18.04 to 18.06.

18.21 Except 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.

18.22 [Repealed 31 December 2015]

18.23 Where any of the percentage ratios (as defined under rule 19.04(9)) of any properties held for development and/or sale or for investment purposes held by the group exceeds 5%, 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 financial statements;
 - (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.
- (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.

18.24 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

Note: In the case of a PRC issuer, reference to director under this paragraph shall also mean and include supervisor.

- (2) the length of the term of appointment of every non-executive director.

18.24A Particulars of any service contracts that are exempt under rule 17.91.

18.25 Particulars (nature and extent) of any transaction, arrangement or contract of significance subsisting during or at the end of the financial year in which a director of the listed issuer or an entity connected with a director is or was materially interested, either directly or indirectly, or, if there has been no such transaction, arrangement or contract, a statement of that fact.

Notes: 1 *In the case of a PRC issuer, reference to director under this paragraph shall also mean and include supervisor.*

2 *A "transaction, arrangement or contract of significance" is one where any of the percentage ratios (as defined under 19.04(9)) of the transaction is 1% or more.*

3 *An interest in a transaction, arrangement or contract is material for the purposes of disclosure in the financial statements if the omission of information relating to that transaction, arrangement or contract could have changed or influenced the judgement or decision of a person relying on the relevant information.*

4 *A reference to an entity connected with a director has the meaning given by section 486 of the Companies Ordinance.*

18.26 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 18.27, the words "controlling shareholder" mean any shareholder entitled to exercise, or control the exercise of, 30 per cent (or such other amount as may from time to time be specified in the Takeovers 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.

18.27 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 2 to rule 18.25 and the Note to rule 18.26.

18.28 Information concerning the emoluments, pension and any compensation arrangements for the directors and past directors of the listed issuer. The information provided pursuant to this rule must include details of directors' and past directors' emoluments, by name as follows:-

- (1) the directors' fees for such financial year;
- (2) the directors' basic salaries, housing allowances, other allowances and benefits in kind;
- (3) the contributions to pension schemes for directors or past directors for such financial year;
- (4) the 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 amounts paid during such financial year or receivable by directors as an inducement to join or upon joining the listed issuer;
- (6) the 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); and
- (7) information on share options held by directors as required under rule 23.07.

Notes: 1 In the case of a PRC issuer, references to directors or past directors in this rule shall also mean and include past and present supervisors (as appropriate).

2 Sub-paragraphs (2) to (6) of this rule require an analysis of the amounts to be disclosed in the issuer's financial statements under the provisions of section 383(1) (a) to (c) inclusive of the Companies Ordinance.

3 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 must be disclosed under sub-paragraph (2) of this rule.

4 In addition to discretionary bonus payments, all bonus payments to which a director is contractually entitled and which are not fixed in amount, together with the basis upon which they are determined, must be disclosed under sub-paragraph (4) of this rule.

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

6 References to "director" in this rule include a chief executive who is not a director.

18.29 A listed issuer shall include 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.

18.29A The following information in respect of the group's emolument policy:

- (1) a general description of the emolument policy and any long-term incentive schemes of the group; and
- (2) the basis of determining the emolument payable to its directors.

18.30 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 and the information required by this rule has been disclosed in the emoluments of directors, this must be stated 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 the emoluments of directors, the following information must 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 the financial year;
- (3) the aggregate of bonuses paid or receivable which are discretionary or are based on the issuer's, the group's or any member of the group's performance (excluding amounts disclosed in (4) and (5) below) for the financial year;

- (4) the aggregate of amounts paid during the financial year or receivable as an inducement to join or upon joining the 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, unless any of them are directors of the issuer.

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.

- 18.31 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.

- 18.32 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, if any;
- (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.

- 18.33 A 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.

18.34 An issuer shall include the following information in addition to the information required under the relevant accounting standard in respect of pension schemes:

- (1) a brief outline of how contributions are calculated or benefits funded;
- (2) 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 date of statement of financial position for such use; and
- (3) 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 financial statements 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.

18.35 If the issuer has caused any property interests to be valued (under Chapter 8) 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 issuer and those assets are not stated at such valuation (or at subsequent valuation) in its first annual financial statements published after listing, then the issuer is required to disclose the following additional information in its first annual report published after listing:—

- (1) the amount of such valuation of those properties or other tangible assets as included in the prospectus; and
- (2) the additional depreciation (if any) that would be charged against the statement of profit or loss and other comprehensive income had those assets been stated at such valuation (or subsequent valuation).

18.36 [Repealed 31 December 2015]

18.37 A statement of the reserves available for distribution to shareholders by the listed issuer (as calculated under the provisions of sections 291, 297 and 299 of the Companies Ordinance) as at the date of its statement of financial position.

18.37A [Repealed 31 December 2015]

18.37B [Repealed 31 December 2015]

18.38 [Repealed 31 December 2015]

18.39 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 in Divisions 2 and 3 of Part XV of the Securities and Futures 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.

Note: In the case of a PRC issuer, references to directors and senior managers in this paragraph shall also mean and include supervisors.

18.39A In relation to an independent non-executive director appointed by a listed issuer during the financial year, the listed issuer shall disclose the reasons why such an independent non-executive director was and is considered to be independent if he has failed to meet any of the independence guidelines set out in rule 5.09.

18.39B A listed issuer must confirm whether it has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to rule 5.09 and whether it still considers the independent non-executive directors to be independent.

18.40 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 revenue from sales of goods or rendering of services attributable to the group's largest customer;
- (4) a statement of the percentage of revenue from sales of goods or rendering of services attributable to the group's 5 largest customers combined;

- (5) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors own more than 5% of the number of issued shares of the listed issuer) 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 18.40 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 18.40.

18.41 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. As a minimum the directors of the listed issuer should comment on the following:—

- (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, associates and joint ventures in the course of the year;
- (6) comments on segmental information. 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 revenue and margins;
- (7) where applicable, details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes;
- (8) details of charges on group assets;
- (9) details of future plans for material investments or capital assets and their expected sources of funding in the coming year;
- (10) gearing ratio;
- (11) exposure to fluctuations in exchange rates and any related hedges; and
- (12) details of contingent liabilities, if any.

Notes: 1 It is the responsibility of the directors of the listed issuer to determine what investment or capital asset is material in the context of the listed issuer's business, operations and financial performance. The materiality of investment or capital asset varies from one listed issuer to another according to its financial performance, assets and capitalisation, the nature of its operations and other factors. An event that is "material" in the context of a smaller listed issuer's business and affairs is often not material to a larger listed issuer. The directors of the listed issuer are in the best position to determine materiality. The Exchange recognises that decisions on disclosure require careful subjective judgements, and encourages listed issuers to consult the Exchange when in doubt as to whether disclosure should be made.

2 The basis on which the gearing ratio is computed should be disclosed.

3 If the above information required in this rule has been disclosed in a business review in the directors' report as set out in rule 18.07A, no additional disclosure is required.

18.42 A statement of any change in auditors of the listed issuer in any of the preceding 3 years.

18.43 [Repealed 1 July 2008]

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) the compliance officer of the issuer appointed pursuant to rule 5.19; and
- (2) a separate Corporate Governance Report prepared by the board on its corporate governance practices. The report must, as a minimum, contain the information required under paragraphs G to Q of Appendix 15 regarding the accounting period covered by the annual report. To the extent that it is reasonable and appropriate, the issuer may incorporate by reference information in its annual report into the Corporate Governance Report. Any such references must be clear and unambiguous and the Corporate Governance Report must not contain only a cross-reference without any discussion of the matter.

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.

18.46 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 financial statements.

18.47 If the relevant annual financial statements 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.

18.48 [Repealed 31 December 2015]

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 3 months after the date upon which the financial year ended.

Preliminary announcement of results for the financial year

Preliminary

18.49 A listed issuer must publish (in accordance with the requirements of Chapter 16) a preliminary announcement of the results for the financial year, which has been agreed with its auditors, on the GEM 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 its results. The issuer must publish such results not later than 3 months after the date upon which the financial year ended.

Note: The term financial year refers to the period covered by a listed issuer's financial statements even where the period is not a calendar 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:

- (1) the information in respect of the statement of financial position and the statement of profit or loss and other comprehensive income as set out in rule 18.50B comprising a statement of profit or loss and other comprehensive income for the financial year, with comparative figures for the immediately preceding financial year, and statement of financial position as at the end of the financial year, 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 year. Directors of the listed issuer must ensure that the information contained in the preliminary announcement of results is consistent with the information that will be contained in the annual reports (see rule 18.50A);

Note: [Repealed 31 December 2015]

- (2) a commentary covering the following:
 - (a) a fair review of the development of the business of the listed issuer and its subsidiaries during the financial year and of their financial position at the end of the year;
 - (b) details of important events affecting the listed issuer and its subsidiaries which have occurred since the end of the financial year; and
 - (c) an indication of likely future developments in the business of the listed issuer and its subsidiaries;
- (3) *[Repealed 31 December 2015]*
- (4) particulars of any purchase, sale or redemption by the listed issuer or any of its subsidiaries, of its listed securities during the financial year, or an appropriate negative statement;
- (5) 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 year;
- (6) a statement as to whether the listed issuer meets the code provisions set out in the Corporate Governance Code contained in Appendix 15. The listed issuer must also disclose any deviations from the code provisions and considered reasons for such deviations. To the extent that it is reasonable and appropriate, such information may be given by reference to the immediately preceding half-year report or to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that report. Any such references must be clear and unambiguous;

- (7) a statement as to whether the annual results have been reviewed by the audit committee of the listed issuer;
- (8) where the auditors' report on the listed issuer's annual financial statements is likely to be qualified or modified (whether or not it is also likely to be qualified), details of the qualification or modification pursuant to rule 18.51;
- (9) where there are any significant changes in accounting policies, a statement of that fact must be made; and

Note: A listed issuer should apply the accounting policies consistently except where the change in accounting policy is required by an accounting standard which came into effect during the financial year.

- (10) where there are prior period adjustments due to correction of material errors, a statement of that fact must be made.

Note: The term financial year refers to the period covered by a listed issuer's financial statements even where the period is not a calendar year.

18.50A Where, in exceptional circumstances, it becomes necessary to revise the information contained in the listed issuer's preliminary announcement of results in the light of developments arising between the date of publication of the announcement and the completion of the audit, the listed issuer must immediately notify the Exchange and publish an announcement to inform the public. The announcement must provide details of the changes made to the published preliminary announcement of results including any impact on the published financial information of the listed issuer and the reasons for such changes.

Note: The Exchange does not expect there to be any material or substantial difference between the information contained in the listed issuer's preliminary announcement of results and that contained in its audited results.

18.50B The preliminary announcements of results for the half-year, preliminary announcements of results for the financial year, 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).

- (1) Statement of profit or loss and other comprehensive income
 - (a) profit (or loss) on sale of properties;
- (2) Statement of financial position, if applicable:
 - (a) ageing analysis of accounts receivable; and
 - (b) ageing analysis of accounts payable;

Note: The ageing analysis should normally be presented on the basis of the date of the relevant invoice or demand note and categorised into time-bands based on analysis used by an issuer's management to monitor the issuer's financial position. The basis on which the ageing analysis is presented should be disclosed.

(3) Dividends

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).

Notes: 1 Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adaptations should be made. Where the requirements of this rule 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.

18.50C Listed issuer must submit a copy of its annual report to the Exchange for publication on the GEM website as soon as reasonably practicable after the approval by or on behalf of the board of its audited financial statements and in any event not more than 3 months after the date upon which the financial year ended.

18.51 In connection with the audit of the issuer's annual financial statements:—

(1) where the auditors' report is likely to be qualified, the preliminary announcement of results must include details of such qualification; and

(2) where the auditors' report is likely to be modified, whether or not it is also likely to be 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.

18.52 [Repealed 31 December 2015]

Half-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) a half-year report, or (ii) a summary half-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 45 days after the end of such period. The listed issuer may send a copy of its summary half-year report to a member and a holder of its listed securities in place of a copy of its half-year report, provided that such summary half-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 half-year report or summary half-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 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 half-year report and summary half-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 half-year reports or summary half-year reports.*

- 18.54 As soon as reasonably practicable after publishing any half-year report and, where applicable, summary half-year 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 half-year reports

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

- (1) [Repealed 31 December 2015]
- (2) [Repealed 31 December 2015]
- (3) particulars of any purchase, sale or redemption by the listed issuer or any of its subsidiaries, of its listed securities during the relevant period, or an appropriate negative statement;
- (4) a statement in relation to the accounting period covered by the half-year report on whether the listed issuer meets the code provisions set out in the Corporate Governance Code contained in Appendix 15. Where there are any deviations from the code provisions in the Code, the listed issuer must also give considered reasons for the deviations from the code provisions, either by:
 - (a) giving considered reasons for each deviation; or
 - (b) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the immediately preceding annual report and providing details of any changes together with considered reasons for any deviation not reported in that annual report. Any such references must be clear and unambiguous and the half-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 half-year report as to:
 - (a) whether the listed issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings;

- (b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard of dealings and its code of conduct regarding directors' securities transactions; and
 - (c) in the event of any non-compliance with the required standard of dealings, details of such non-compliance and an explanation of the remedial steps taken by the listed issuer to address such non-compliance;
- (6) details of non-compliance (if any) with rules 5.05(1) and 5.05(2) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively; and
 - (7) details of non-compliance with rule 5.28 (if any) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to establishment of an audit committee;
 - (8) the information set out in rule 18.50B; and
 - (9) the further information set out in rules 18.56 to 18.64.

Notes: 1 An issuer should comply with the relevant standard on interim reporting in respect of its half-year reports in accordance with the requirements under HKFRS, IFRS, US GAAP or CASBE which is adopted for the preparation of its annual financial statements.

2 Each 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 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 half-year reports.

4 [Repealed 31 December 2015]

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 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.

- 6 *Where the items of information specified in this rule are unsuited to the listed issuer's activities, appropriate adaptations should be made. Where the requirements of this rule are unsuited to the listed issuer's activities or circumstances, the Exchange may require suitable adaptations to be made.*
- 7 *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.
- 8 *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 7 above is based.*
- 9 *Each 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 *A half-year 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;*
 - (e) *financial assistance and guarantees to affiliated companies of an issuer under rule 17.24;*
 - (f) *provision of information in respect of and by directors, supervisors and chief executives under rule 17.50A(1);*
 - (g) *for a Mineral Company, continuing disclosure obligation arises under rule 18A.14; and*
 - (h) *share option schemes under rules 23.07 and 23.08.*

18.56 (1) Subject to rule 18.56(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 and 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 18.56(1) must specify the company in which interests or short positions are held, the class to which those 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.

18.57 A statement as at the end of the relevant period showing the interests and 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 18.56 and 18.57, 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 18.56 and 18.57 inclusive shall also mean and include supervisors.

18.58 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.

18.58A 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.*

18.58B 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.*

- 18.58C 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 18.58B, except that note (3) to Rule 18.58B(1) does not apply.
- 18.59 The listed issuer should include a discussion and analysis of its performance covering all those matters set out in rule 18.41. The discussion should include any significant information needed for investors to make an informed assessment of the trend of its activities and profit (or loss). It should identify and explain any special factors which has influenced its activities and its profit (or loss) during the relevant period. It should provide a comparison with the corresponding period of the preceding financial year and must also, as far as possible, give an indication of the listed issuer's prospects for the current financial year. Such discussion may focus only on the significant changes in the group's performance since the most recent published annual report. Where the current information in relation to those matters set out in rule 18.41 has not changed materially from the information disclosed in the most recent published annual report, a statement to this effect may be made and no additional disclosure is required.
- 18.60 [Repealed 31 December 2015]
- 18.61 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.
- 18.62 [Repealed 1 July 2008]
- 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 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) has been qualified or modified (whether or not it is also qualified), details of such qualification or modification must be set out in the half-year report.
- 18.65 [Repealed 31 December 2015]

Quarterly reports

Obligation to prepare and publish

- 18.66 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. 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 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 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 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 (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 those 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 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 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 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 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 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 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.

18.73 [Repealed 31 December 2015]

18.74 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 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 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) has been qualified or modified, details of such qualification or modification must be set out in the quarterly report.

18.77 [Repealed 31 December 2015]

Preliminary announcement of results for each of the first 6 month 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 GEM 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) 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 half-year report;

Note: [Repealed 31 December 2015]

- (2) particulars of any purchase, sale or redemption by the listed issuer, or any of its subsidiaries of its listed securities during the relevant period as required by rule 18.55(3), or an appropriate negative statement;
- (3) a commentary covering the following:
 - (a) a fair review of the development of the business of the listed issuer and its subsidiaries during the financial period and of their financial position at the end of the period;
 - (b) details of important events affecting the listed issuer and its subsidiaries which have occurred since the end of the financial period; and
 - (c) an indication of likely future developments in the business of the listed issuer and its subsidiaries, including the listed issuer's prospects for the current financial year; or

where there are no material changes in respect of such matters since the publication of the latest annual report, an appropriate negative statement in that regard;

- (4) a statement as to whether the listed issuer meets the code provisions set out in the Corporate Governance Code contained in Appendix 15. The listed issuer must also disclose any deviations from the code provisions and considered reasons for such deviations. To the extent that it is reasonable and appropriate, such information may be given by reference to the Corporate Governance Report in the immediately preceding annual report, and summarising any changes since that annual report. Any such references must be clear and unambiguous;
- (5) the information required by rules 18.61 and, if applicable, rules 18.63 and 18.64;
- (6) a statement as to whether or not the half-year results have been reviewed by external auditors or the audit committee of the listed issuer;
- (7) full details of any disagreement by the auditors or the audit committee with the accounting treatment adopted by the listed issuer;
- (8) where there are any significant changes in accounting policies, a statement of that fact must be made; and

Note: A listed issuer should apply the same accounting policies in its 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 half-year period.

- (9) where there are prior period adjustments due to correction of material errors, a statement of that fact must be made.

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

18.79 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 GEM 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.*

18.80 [Repealed 31 December 2015]

Summary financial reports

18.81 Summary financial reports of issuers must comply with the disclosure requirements set out in the Companies (Summary Financial Reports) Regulation. An issuer must also disclose the following information in its summary financial report:

- (1) particulars of any purchase, sale or redemption by the listed issuer, or any of its subsidiaries, of its listed securities during the financial year or an appropriate negative statement; and
- (2) a separate Corporate Governance Report prepared by the board on its corporate governance practices. The report must, as a minimum, contain the information required under paragraphs G to Q of Appendix 15 regarding the accounting period covered by the annual report. To the extent that it is reasonable and appropriate, this Corporate Governance Report may take the form of a summary of the Corporate Governance Report in the annual report and may also incorporate information by reference to its annual report. Any such references must be clear and unambiguous and the summary must not contain only a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the Corporate Governance Code in Appendix 15.

Summary half-year reports

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

- (1) information as set out in rules 18.78(1) to (9);
- (2) details of non-compliance (if any) with rules 5.05(1) and 5.05(2) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, respectively;
- (3) details of non-compliance with rule 5.28 (if any) and an explanation of the remedial steps taken by the listed issuer to address such non-compliance relating to establishment of an audit committee;
- (4) where the accounting information contained in a summary half-year report has been audited by the listed issuer's auditors, an opinion from the auditors as to whether the summary half-year report is consistent with the full half-year report from which it is derived;
- (5) names of the director(s) who have signed the full half-year report on behalf of the board of directors of the listed issuer;

- (6) a statement to the effect that the summary half-year report only gives a summary of the information and particulars contained in the listed issuer's full half-year report;
- (7) a statement as to how an entitled person may obtain free of charge a copy of the listed issuer's full half-year report from which the summary 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 half-year report in place of a copy of the full half-year report from which it is derived.

Note: "Entitled person" is a person who is entitled to be sent copies of the reporting documents for the financial year under section 430 of the Companies Ordinance.

Recommended additional disclosure

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

- (1) efficiency indicators (e.g. return on equity, working capital ratios) for the last 5 financial years indicating the bases of computation;
- (2) industry specific ratios, if any, for the last 5 financial years indicating the bases of computation;
- (3) a discussion of the listed issuer's purpose, corporate strategy and principal drivers of performance;
- (4) an overview of trends in the listed issuer's industry and business;
- (5) a discussion on the listed issuer's policies and performance on community, social, ethical and reputational issues; and
- (6) receipts from, and returns to, shareholders.

Note: Issuers should also note the recommended disclosures set out in paragraphs R to T of Appendix 15.

18.84 [Repealed 1 January 2016]

CHAPTER 18A

EQUITY SECURITIES

MINERAL COMPANIES

Scope

This Chapter sets out additional listing conditions, disclosure requirements and continuing obligations for Mineral Companies. The additional disclosure requirements and continuing obligations will apply to a listed issuer which becomes a Mineral Company by undertaking a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets. Certain continuing obligations will apply to listed issuers that publish details of Resources and/or Reserves.

The main headings are:

18A.01	Definitions and interpretation
18A.02-18A.04	Conditions for listing of new applicant Mineral Companies
18A.05-18A.08	Contents of listing documents for new applicants
18A.09-18A.13	Relevant Notifiable Transactions involving the acquisition or disposal of Mineral or Petroleum Assets
18A.14-18A.17	Continuing obligations
18A.18-18A.27	Statements on Resources and/or Reserves
18A.28-18A.34	Reporting Standard

DEFINITIONS AND INTERPRETATION

18A.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires:-

- (1) terms signifying the singular include the plural and vice versa;
- (2) the term mineral includes solid fuels; and
- (3) the following terms have the meanings set out below:-

“CIMVAL”	Standards and Guidelines for Valuation of Mineral Properties endorsed by the Canadian Institute of Mining, Metallurgy and Petroleum, February 2003 (final version) as amended from time to time.
“Competent Evaluator”	a Competent Person undertaking valuations that satisfies rule 18A.23.
“Competent Person”	a person that satisfies rules 18A.21 and 18A.22.

“Competent Person’s Report”	the public report prepared by a Competent Person on Resources and/or Reserves, in compliance with this Chapter (rules 18A.18 to 18A.33) and the applicable Reporting Standard, as modified by this Chapter.
“Contingent Resources”	those quantities of Petroleum estimated, at a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
“Feasibility Study”	a comprehensive design and costing study of the selected option for the development of a mineral project in which appropriate assessments have been made of realistically assumed geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other relevant factors, which are considered in enough detail to demonstrate at the time of reporting that extraction is reasonably justified and the factors reasonably serve as the basis for a final decision by a financial institution to finance the development of the project.
“Indicated Resource”	that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.
“Inferred Resource”	that part of a mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity.
“IOSCO Multilateral MOU”	the International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information dated May 2002 as amended from time to time.
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time.
“Major Activity”	an activity of an issuer and/or its subsidiaries which represents 25% or more of the total assets, revenue or operating expenses of the issuer and its subsidiaries. Reference should be made to the issuer’s latest audited consolidated financial statements.

“Measured Resource”	that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.
“Mineral or Petroleum Assets”	mineral assets and/or Petroleum assets or the equivalent as defined in either CIMVAL, the SAMVAL Code, or the VALMIN Code.
“Mineral Company”	a new applicant whose Major Activity (whether directly or through its subsidiaries) is the exploration for and/or extraction of Natural Resources, or a listed issuer that completes a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets.
“Natural Resources”	mineral and/or Petroleum.
“NPVs”	net present values.
“NI 43-101”	also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101, as amended from time to time.
“Petroleum”	a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid or solid phase, as further defined in PRMS.
“Possible Reserves”	those quantities of Petroleum which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves.
“Pre-feasibility Study”	a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, for underground mining, or the pit configuration, for an open pit, has been established and an effective method of mineral processing has been determined. It includes a financial analysis based on realistically assumed or reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are enough for a Competent Person, acting reasonably, to determine if all or part of the mineral Resource may be classified as a mineral Reserve.
“PRMS”	the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007, as amended from time to time.

“Probable Reserves”	<ul style="list-style-type: none"> (1) with regard to minerals, the economically mineable part of an Indicated, and in some circumstances, a Measured Resource. (2) with regard to Petroleum, those quantities of Petroleum which analysis of geoscience and engineering data show are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.
“Prospective Resources”	those quantities of Petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
“Proved Reserves”	<ul style="list-style-type: none"> (1) with regard to minerals, the economically mineable part of a Measured Resource. (2) with regard to Petroleum, those quantities of Petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.
“Recognised Professional Organisation”	a self-regulatory organisation of professional individuals in the mining or Petroleum industry which admits individuals on the basis of their academic qualifications and experience, requires compliance with professional standards of competence and ethics established by the organisation and has disciplinary powers including the power to suspend or expel a member.
“Relevant Notifiable Transaction”	a transaction that falls into one of the classifications set out in rules 19.06(3) to (6), namely a major transaction, very substantial disposal, very substantial acquisition and reverse takeover.
“Reporting Standard”	<p>a recognised standard acceptable to the Exchange, including:</p> <ul style="list-style-type: none"> (1) the JORC Code, NI 43-101, and the SAMREC Code, with regard to mineral Resources and Reserves; (2) PRMS with regard to Petroleum Resources and Reserves; and (3) CIMVAL, the SAMVAL Code, and the VALMIN Code, with regard to valuations.

“Reserve”

- (1) with regard to minerals, the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Pre-feasibility Study must have been carried out. Mineral Reserves are sub-divided in order of increasing confidence into Probable Reserves and Proved Reserves.

Note: Although the term mineral Reserve is used throughout this Chapter it is recognised that the term ore reserve is used in the JORC Code.

- (2) with regard to Petroleum, those quantities of Petroleum anticipated to be commercially recoverable by the application of development projects to known accumulations from a given date forward under defined conditions.

“Resource”

- (1) with regard to minerals, a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured Resources, as defined in the JORC Code.
- (2) with regard to Petroleum, Contingent Resources and/or Prospective Resources.

“SAMREC Code”

the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007 edition), as amended from time to time.

“SAMVAL Code”

the South African Code for the Reporting of Mineral Asset Valuation (2008 edition), as amended from time to time.

“Scoping Study”

a preliminary evaluation of a mineral project, including an assessment of the economic viability of mineral Resources. Scoping Studies should include forecast production schedules and cost estimates based on data under which the Resources are identified.

“VALMIN Code”

the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition) as prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association, as amended from time to time.

“Valuation Report”

the public valuation report prepared by a Competent Evaluator on Mineral or Petroleum Assets in compliance with this Chapter (rule 18A.34) and the applicable Reporting Standard, as modified by this Chapter. It may form part of a Competent Person’s Report.

CONDITIONS FOR LISTING OF NEW APPLICANT MINERAL COMPANIES

18A.02 In addition to satisfying the requirements of Chapter 11, a Mineral Company which has applied for listing must also satisfy the requirements of this Chapter.

18A.03 A Mineral Company must:-

- (1) establish to the Exchange’s satisfaction that it has the right to participate actively in the exploration for and/or extraction of Natural Resources, either:-
 - (a) through control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of Natural Resources; or

Note: ‘control over a majority’ means an interest greater than 50%.
 - (b) through adequate rights (arising under arrangements acceptable to the Exchange), which give it sufficient influence in decisions over the exploration for and/or extraction of the Natural Resources;
- (2) establish to the Exchange’s satisfaction that it has at least a portfolio of:-
 - (a) Indicated Resources; or
 - (b) Contingent Resources,

identifiable under a Reporting Standard and substantiated in a Competent Person’s Report. This portfolio must be meaningful and of sufficient substance to justify a listing;
- (3) if it has commenced production, provide an estimate of cash operating costs including the costs associated with:-
 - (a) workforce employment;
 - (b) consumables;
 - (c) fuel, electricity, water and other services;

- (d) on and off-site administration;
- (e) environmental protection and monitoring;
- (f) transportation of workforce;
- (g) product marketing and transport;
- (h) non-income taxes, royalties and other governmental charges; and
- (i) contingency allowances;

Note: A Mineral Company must:

- *set out the components of cash operating costs separately by category;*
- *explain the reason for any departure from the list of items to be included under cash operating costs; and*
- *discuss any material cost items that should be highlighted to investors.*

- (4) demonstrate to the Exchange's satisfaction that it has available working capital for 125% of the group's present requirements, that is for at least the next 12 months, which must include:–

- (a) general, administrative and operating costs;
- (b) property holding costs; and
- (c) the cost of any proposed exploration and/or development; and

Note: Capital expenditures do not need to be included in working capital requirements. Where they are financed out of borrowings, relevant interest and loan repayments must be included.

- (5) ensure that its working capital statement made under Appendix 1A (paragraph 36) states it has available sufficient working capital for 125% of the group's present requirements, that is for at least 12 months from the date of its listing document.

18A.04 The Exchange may accept a trading record period of less than two financial years for rule 11.12A (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.

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

Note 2: A Mineral Company relying on this rule must demonstrate that its primary activity is the exploration for and/or extraction of Natural Resources.

CONTENTS OF LISTING DOCUMENTS FOR NEW APPLICANTS

18A.05 In addition to the information set out in Appendix 1A, a Mineral Company must include in its listing document:–

- (1) a Competent Person's Report;
- (2) a statement that no material changes have occurred since the effective date of the Competent Person's Report. Where there are material changes, these must be prominently disclosed;
- (3) the nature and extent of its prospecting, exploration, exploitation, land use and mining rights and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents. Details of material rights to be obtained must also be disclosed;
- (4) a statement of any legal claims or proceedings that may have an influence on its rights to explore or mine;
- (5) disclosure of specific risks and general risks. Companies should have regard to Practice Note 4 on suggested risk analysis; and
- (6) if relevant and material to the Mineral Company's business operations, information on the following:–
 - (a) project risks arising from environmental, social, and health and safety issues;
 - (b) any non-governmental organisation impact on sustainability of mineral and/or exploration projects;
 - (c) compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;
 - (d) sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;
 - (e) environmental liabilities of its projects or properties;
 - (f) its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;
 - (g) its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and
 - (h) any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.

Additional disclosure requirements that apply to certain new applicant Mineral Companies

18A.06 If a Mineral Company has begun production, it must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or Petroleum produced.

18A.07 If a Mineral Company has not yet begun production, it must disclose its plans to proceed to production with indicative dates and costs. These plans must be supported by at least a Scoping Study, substantiated by the opinion of a Competent Person. If exploration rights or rights to extract Resources and/or Reserves have not yet been obtained, relevant risks to obtaining these rights must be prominently disclosed.

18A.08 If a Mineral Company is involved in the exploration for or extraction of Resources, it must prominently disclose to investors that its Resources may not ultimately be extracted at a profit.

RELEVANT NOTIFIABLE TRANSACTIONS INVOLVING THE ACQUISITION OR DISPOSAL OF MINERAL OR PETROLEUM ASSETS

18A.09 A Mineral Company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:-

- (1) comply with Chapter 19 and Chapter 20, if relevant;
- (2) produce a Competent Person's Report, which must form part of the relevant circular, on the Resources and/or Reserves being acquired or disposed of as part of the Relevant Notifiable Transaction;

Note: The Exchange may dispense with the requirement for a Competent Person's Report on disposals where shareholders have sufficient information on the assets being disposed of.

- (3) in the case of a major (or above) acquisition, produce a Valuation Report, which must form part of the relevant circular, on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and
- (4) comply with the requirements of rules 18A.05(2) to 18A.05(6) in respect of the assets being acquired.

Note: Material liabilities that remain with the issuer on a disposal must also be discussed.

Requirements that apply to listed issuers

18A.10 A listed issuer proposing to acquire assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must comply with rule 18A.09.

18A.11 On completion of a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets, unless the Exchange decides otherwise, a listed issuer will be treated as a Mineral Company.

Requirements that apply to Mineral Companies and listed issuers

18A.12 The Exchange may dispense with the requirement to produce a new Competent Person's Report or a Valuation Report under rules 18A.05(1), 18A.09(2) or 18A.09(3), if the issuer has available a previously published Competent Person's Report or Valuation Report (or equivalent) which complies with rules 18A.18 to 18A.34 (where applicable), provided the report is no more than six

months old. The issuer must provide this document and a no material change statement in the listing document or circular for the Relevant Notifiable Transaction.

- 18A.13 An issuer must obtain the prior written consent of a Competent Person(s) or Competent Evaluator for their material to be included in the form and context in which it appears in a listing document or circular for the Relevant Notifiable Transaction, whether or not such person or firm is retained by the listing applicant or the issuer.

CONTINUING OBLIGATIONS

Disclosure in reports

- 18A.14 A Mineral Company must include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review. If there has been no exploration, development or production activity, that fact must be stated.

Publication of Resources and Reserves

- 18A.15 A listed issuer that publicly discloses details of Resources and/or Reserves must give an update of those Resources and/or Reserves once a year in its annual report, in accordance with the reporting standard under which they were previously disclosed or a Reporting Standard.
- 18A.16 A Mineral Company must include an update of its Resources and/or Reserves in its annual report in accordance with the Reporting Standard under which they were previously disclosed.
- 18A.17 Annual updates of Resources and/or Reserves must comply with rule 18A.18.

Note: Annual updates are not required to be supported by a Competent Person's Report and may take the form of a no material change statement.

STATEMENTS ON RESOURCES AND/OR RESERVES

Presentation of data

- 18A.18 Any data presented on Resources and/or Reserves by a Mineral Company in a listing document, Competent Person's Report, Valuation Report or annual report, must be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volume, tonnage and grades.

Basis of evidence

- 18A.19 All statements referring to Resources and/or Reserves:–

- (1) in any new applicant listing document or circular relating to a Relevant Notifiable Transaction, must be substantiated in a Competent Person's Report which must form part of the document; and
- (2) in all other cases, must at least be substantiated by the issuer's internal experts.

Petroleum Competent Persons' Reports

18A.20 A Competent Person's Report for Mineral Companies involved in the exploration for and/or extraction of Petroleum Resources and Reserves must include the information set out in Appendix 18.

Competent Person

18A.21 A Competent Person must:–

- (1) have a minimum of five years experience relevant to the style of mineralization and type of deposit under consideration or to the type of Petroleum exploration, reserve estimate (as appropriate), and to the activity which the Mineral Company is undertaking;
- (2) be professionally qualified, and be a member in good standing of a relevant Recognised Professional Organisation, in a jurisdiction where, in the Exchange's opinion, the statutory securities regulator has satisfactory arrangements (either by way of the IOSCO Multilateral MOU or other bi-lateral agreement acceptable to the Exchange) with the Commission for mutual assistance and exchange of information for enforcing and securing compliance with the laws and regulations of that jurisdiction and Hong Kong; and
- (3) take overall responsibility for the Competent Person's Report.

18A.22 A Competent Person must be independent of the issuer, its directors, senior management and advisers. Specifically the Competent Person retained must:–

- (1) have no economic or beneficial interest (present or contingent) in any of the assets being reported on;
- (2) not be remunerated with a fee dependent on the findings of the Competent Person's Report;
- (3) in the case of an individual, not be an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer; and
- (4) in the case of a firm, not be a group, holding or associated company of the issuer. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the issuer.

Additional requirements of Competent Evaluators

18A.23 In addition to the requirements set out in rules 18A.21(2) and 18A.22, a Competent Evaluator must:–

- (1) have at least ten years relevant and recent general mining or Petroleum experience (as appropriate);
- (2) have at least five years relevant and recent experience in the assessment and/or valuation of Mineral or Petroleum Assets or securities (as appropriate); and
- (3) hold all necessary licences.

Note: A Competent Person's Report and Valuation Report may be performed by the same Competent Person provided he or she is also a Competent Evaluator.

Scope of Competent Persons' Reports and Valuation Reports

18A.24 A Competent Person's Report or Valuation Report must comply with a Reporting Standard as modified by this Chapter, and must:-

- (1) be addressed to the Mineral Company or listed issuer;
- (2) have an effective date (being the date when the contents of the Competent Person's Report or Valuation Report are valid) less than six months before the date of publishing the listing document or circular relating to a Relevant Notifiable Transaction required under the Listing Rules; and
- (3) set out what Reporting Standard has been used in preparing the Competent Person's Report or Valuation Report, and explain any departure from the relevant Reporting Standard.

Disclaimers and Indemnities

18A.25 A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which the Competent Person or Competent Evaluator relied upon other experts' opinions, but must not contain any disclaimers of the report in its entirety.

18A.26 The Competent Person or Competent Evaluator must prominently disclose in the Competent Person's Report or Valuation Report the nature and details of all indemnities provided by the issuer. Indemnities for reliance placed on information provided by issuers and third party experts (for information outside the Competent Person's or Competent Evaluator's expertise) are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.

Obligations of sponsor

18A.27 Any sponsor appointed to or by a new applicant Mineral Company under Chapter 6A must ensure that any Competent Person or Competent Evaluator meets the requirements of this Chapter.

REPORTING STANDARD

Mineral reporting standard

18A.28 In addition to satisfying the requirements of Chapter 17 (as modified by this Chapter), a Mineral Company exploring for and/or extracting mineral Resources and Reserves must also satisfy rules 18A.29 and 18A.30.

18A.29 A Mineral Company must disclose information on mineral Resources, Reserves and/or exploration results either:-

- (1) under:
 - (a) the JORC Code;
 - (b) NI 43-101; or
 - (c) the SAMREC Code,as modified by this Chapter; or

- (2) under other codes acceptable to the Exchange as communicated to the market from time to time, provided the Exchange is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.

Note: The Exchange may allow presentation of Reserves under other reporting standards provided reconciliation to a Reporting Standard is provided. A Reporting Standard applied to specific assets must be used consistently.

18A.30 A Mineral Company must ensure that:-

- (1) any estimates of mineral Reserves disclosed are supported, at a minimum, by a Pre-feasibility Study;
- (2) estimates of mineral Reserves and mineral Resources are disclosed separately;
- (3) Indicated Resources and Measured Resources are only included in economic analyses if the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for the probabilities of their conversion to mineral Reserves. All assumptions must be clearly disclosed. Valuations for Inferred Resources are not permitted;
- (4) for commodity prices used in Pre-feasibility Studies, Feasibility Studies and valuations of Indicated Resources, Measured Resources and Reserves:-
 - (a) the methods to determine those commodity prices, all material assumptions, and the basis on which those prices represent reasonable views of future prices are explained clearly; and
 - (b) if a contract for future prices of mineral Reserves exists, the contract price is used; and
- (5) for forecast valuations of Reserves and profit forecasts, sensitivity analyses to higher and lower prices are supplied. All assumptions must be clearly disclosed.

Petroleum reporting standard

18A.31 In addition to satisfying the requirements of Chapter 17 (as modified by this Chapter), a Mineral Company exploring for and/or extracting Petroleum Resources and Reserves must also satisfy rules 18A.32 and 18A.33.

18A.32 A Mineral Company must disclose information on Petroleum Resources and Reserves either:-

- (1) under PRMS as modified by this Chapter; or
- (2) under other codes acceptable to the Exchange if it is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.

Note: A Reporting Standard applied to specific assets must be used consistently.

18A.33 A Mineral Company must ensure that:-

- (1) where estimates of Reserves are disclosed, the method and reason for choice of estimation are disclosed (i.e. deterministic or probabilistic methods, as defined in PRMS). Where the probabilistic method is used, the underlying confidence levels applied must be stated;

- (2) if the NPVs attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%;
- (3) Proved Reserves and Proved plus Probable Reserves are analysed separately and principal assumptions (including prices, costs, exchange rates and effective date) and the basis of the methodology are clearly stated;
- (4) if the NPVs attributable to Reserves are disclosed, they are presented using a forecast price as a base case or using a constant price as a base case. The bases for the forecast case must be disclosed. The constant price is defined as the unweighted arithmetic average of the closing price on the first day of each month within the 12 months before the end of the reporting period, unless prices are defined by contractual arrangements. The basis on which the forecast price is considered reasonable must be disclosed and Mineral Companies must comply with rule 18A.30(5);

Note: In the forecast case under PRMS, the economic evaluation underlying the investment decision is based on the entity's reasonable forecast of future conditions, including costs and prices, which will exist during the life of the project.

- (5) if estimated volumes of Contingent Resources or Prospective Resources are disclosed, relevant risk factors are clearly stated;

Note: Under PRMS, wherever the volume of a Contingent Resource is stated, risk is expressed as the chance that the accumulation will be commercially developed and graduate to the reserves class. Wherever the volume of a Prospective Resource is stated, risk is expressed as the chance that a potential accumulation will result in a significant discovery of Petroleum.

- (6) economic values are not attached to Possible Reserves, Contingent Resources or Prospective Resources; and
- (7) where an estimate of future net revenue is disclosed, whether calculated without discount or using a discount rate, it is prominently disclosed that the estimated values disclosed do not represent fair market value.

Mineral or Petroleum Asset Valuation Reports

18A.34 A Mineral Company must ensure that:–

- (1) any valuation of its Mineral or Petroleum Assets is prepared under the VALMIN Code, SAMVAL Code, CIMVAL or such other code approved by the Exchange from time to time;
- (2) the Competent Evaluator states clearly the basis of valuation, relevant assumptions and the reason why a particular method of valuation is considered most appropriate, having regard to the nature of the valuation and the development status of the Mineral or Petroleum Asset;
- (3) if more than one valuation method is used and, different valuations result, the Competent Evaluator comments on how the valuations compare and on the reason for selecting the value adopted; and
- (4) in preparing any valuation a Competent Evaluator meets the requirements set out in rule 18A.23.

Chapter 19

EQUITY SECURITIES

NOTIFIABLE TRANSACTIONS

Preliminary

- 19.01 This Chapter deals with certain transactions, principally acquisitions and disposals, by a listed issuer. It describes how they are classified, the details that are required to be disclosed in respect of them and whether a circular and shareholders' approval are required. It also considers additional requirements in respect of takeovers and mergers.
- 19.02 If any transaction for the purposes of this Chapter is also a connected transaction for the purposes of Chapter 20, the listed issuer will, in addition to complying with the provisions of this Chapter, have to comply with the provisions of Chapter 20.
- 19.03 [Repealed 1 January 2009]

Definitions

19.04 For the purposes of this Chapter:—

- (1) any reference to a "transaction" by a listed issuer:
- (a) includes the acquisition or disposal of assets, including deemed disposals as referred to in rule 19.29;
 - (b) includes any transaction involving a listed issuer writing, accepting, transferring, exercising or terminating (in the manner described in rule 19.73) an option (as defined in rule 19.72) to acquire or dispose of assets or to subscribe for securities;
 - (c) includes entering into or terminating finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of the listed issuer;
 - (d) includes entering into or terminating operating leases which, by virtue of their size, nature or number, have a significant impact on the operations of the listed issuer. The Exchange will normally consider an operating lease or a transaction involving multiple operating leases to have a "significant impact" if such lease(s), by virtue of its/their total monetary value or the number of leases involved, represent(s) a 200% or more increase in the scale of the listed issuer's existing operations conducted through lease arrangements of such kind;
 - (e) includes granting an indemnity or a guarantee or providing financial assistance by a listed issuer, other than by a listed issuer which:

- (i) is a banking company (as defined in rule 20.06(3)) and provides the financial assistance (as defined in rule 20.06(17)) in its ordinary and usual course of business (as referred to in rule 19.04(8));
- (ii) grants an indemnity or a guarantee, or provides financial assistance to its subsidiaries; or
- (iii) is a securities house and provides the financial assistance (as defined in rule 20.06(17)) in its ordinary and usual course of business (as referred to in rule 19.04(8)) and upon normal commercial terms, either:
 - (A) by way of securities margin financing (which means providing a financial accommodation in order to facilitate:
 - (aa) the acquisition of securities listed on any stock market, whether a recognized stock market (as defined in Schedule 1 to the Securities and Futures Ordinance) or any other stock market outside Hong Kong; and
 - (bb) (where applicable) the continued holding of those securities, whether or not those or other securities are pledged as security for the accommodation); or
 - (B) for the purpose of a proposed acquisition of securities in accordance with the terms of a prospectus which is registered in Hong Kong and issued in respect of an initial public offering of equity securities to be listed in Hong Kong.

Note: Such a transaction may nevertheless in some cases constitute a connected transaction under Chapter 20. In such cases, the listed issuer will have to comply with the provisions of Chapter 20.

- (f) includes entering into any arrangement or agreement involving the formation of a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement, other than a joint venture where:
 - (i) the joint venture is engaging in a single purpose project/transaction which is of a revenue nature in the ordinary and usual course of business of the issuer (see rule 19.04(1)(g));
 - (ii) the joint venture arrangement is on an arm's length basis and on normal commercial terms; and
 - (iii) the joint venture agreement contains clause(s) to the effect that the joint venture may not, without its partners' unanimous consent:
 - (A) change the nature or scope of its business; or
 - (B) enter into any transactions which are not on an arm's length basis; and

- (g) to the extent not expressly provided in rules 19.04(1)(a) to (f), excludes any transaction of a revenue nature in the ordinary and usual course of business (as referred to in rule 19.04(8)) of the listed issuer;

Notes: 1 To the extent not expressly provided in rules 19.04(1)(a) to (f), any transaction of a revenue nature in the ordinary and usual course of business of a listed issuer will be exempt from the requirements of this Chapter.

2 Any transaction involving the acquisition and disposal of properties will generally not be considered to be of a revenue nature unless such transactions are carried out as one of the principal activities and in the ordinary and usual course of business of the listed issuer.

3 Where a listed issuer, for the financial reporting purpose, has transferred an asset from the fixed asset account to the current asset account, a subsequent disposal of the asset by the listed issuer will not be exempt under rule 19.04(1)(g).

4 In considering whether or not a transaction is of a revenue nature, a listed issuer must take into account the following factors:

- (a) whether previous transactions or recurring transactions that were of the same nature were treated as notifiable transactions;*
- (b) the historical accounting treatment of its previous transactions that were of the same nature;*
- (c) whether the accounting treatment is in accordance with generally acceptable accounting standards; and*
- (d) whether the transaction is a revenue or capital transaction for tax purposes.*

These factors are included for guidance only and are not intended to be exhaustive. The Exchange may take into account other factors relevant to a particular transaction in assessing whether or not it is of a revenue nature. In cases of doubt, the listed issuer must consult the Exchange at an early stage.

(2) "accounts" means:—

- (a) in respect of a listed issuer, and for the purpose of determining its total assets, profits or revenue figures pursuant to rule 19.07, the listed issuer's latest published audited accounts or, where consolidated accounts have been prepared, the listed issuer's latest published audited consolidated accounts; and
- (b) in the case of any other company, legal person, partnership, trust or business unit, its latest audited accounts or, where consolidated accounts have been prepared, its latest audited consolidated accounts or, where no audited accounts have been prepared, such other accounts as may be permitted by the Exchange in its discretion;

- (3) an “aircraft company” means a company or other entity whose non-cash assets consist solely or mainly of aircraft or interests in aircraft or interests in companies or entities whose non-cash assets consist solely or mainly of aircraft and whose income is mainly derived from those aircraft;
- (4) “assets” means both tangible and intangible assets and includes businesses, companies and securities, whether listed or not (unless otherwise stated);
- (5) “de minimis ratio” means the ratio determined in accordance with rules 20.74, 20.85(2) and 20.85(3) (as the case may be);
- (6) a “listed issuer” means a company or other legal person whose securities are already listed on GEM and, unless the context otherwise requires, includes its subsidiaries;
- (7) a “notifiable transaction” means a transaction classified as a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover under rule 19.06;
- (8) “ordinary and usual course of business” of an entity means the existing principal activities of the entity or an activity wholly necessary for the principal activities of the entity. In the context of financial assistance provided in the ordinary and usual course of business, this means financial assistance provided by a banking company only or by a securities house pursuant to rule 19.04(1)(e)(iii) only and, in the context of financial assistance not provided in the ordinary and usual course of business, it means financial assistance not provided by a banking company or by a securities house under rule 19.04(1)(e)(iii);
- (9) “percentage ratios” means the percentage ratios set out in rule 19.07, and “assets ratio”, “profits ratio”, “revenue ratio”, “consideration ratio” and “equity capital ratio” shall bear the respective meanings set out in rule 19.07;
- (10) a “property company” means a company or other entity whose non-cash assets consist solely or mainly of properties or interests in properties or interests in companies or entities whose non-cash assets consist solely or mainly of properties and whose income is mainly derived from those properties;
- (10A) [Repealed 1 February 2011]
- (10B) “Qualified Issuer” means an issuer actively engaged in property development as a principal business activity. For determining whether property development is a principal activity of an issuer, consideration will be given to the following factors:
 - (a) clear disclosure of property development activity as a current and continuing principal business activity in the Directors’ Report of its latest published annual financial statements;
 - (b) property development activity is reported as a separate and continuing segment (if not the only segment) in its latest published financial statements; and
 - (c) its format for reporting segmental information and its latest published annual financial statements have fully complied with the requirements of relevant accounting standards adopted for the preparation of its annual financial statements on reporting of segment revenue and segment expense.

- (10C) “Qualified Property Acquisition” means an acquisition of land or property development project in Hong Kong from Government or Government-controlled entities through a public auction or tender; or an acquisition of governmental land in the Mainland from a PRC Governmental Body (as defined in rule 25.04) through a tender (招標), auction (拍賣), or listing-for-sale (掛牌) governed by the PRC law (as defined in rule 25.04);

Note: The Exchange may relax this requirement to accept land acquired in other jurisdictions from governmental bodies through public auctions or tenders. Factors which the Exchange will consider include:

- (i) whether the government land is acquired through a competitive bidding process regulated by legislation and/or requirements in the relevant jurisdiction;*
- (ii) whether the bidding process is fairly structured and established, and bidders have no discretion to change pre-established terms;*
- (iii) whether acquiring government land through a bidding process is a common practice in that jurisdiction; and*
- (iv) the problems faced by the issuer in complying with the notifiable transaction Rules for the land acquisition.*

- (10D) [Repealed 1 February 2011]

- (10E) a “securities house” means a corporation which is licensed or registered under the Securities and Futures Ordinance for Type 1 (dealing in securities) or Type 8 (securities margin financing) regulated activity;

- (11) a “shipping company” means a company or other entity whose non-cash assets consist solely or mainly of vessels or interests in vessels or interests in companies or entities whose non-cash assets consist solely or mainly of vessels and whose income is mainly derived from those vessels; and

- (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
- (b) in the case of any other company, legal person, partnership, trust or business unit, the total fixed assets, including intangible assets, plus the total current and non-current assets, as shown in its accounts, subject to any adjustments or modifications arising from any significant changes to its assets subsequent to the date of the balance sheet in the accounts.

Note: Listed issuers must demonstrate to the satisfaction of the Exchange that any such adjustments or modifications to the accounts of the relevant company, legal person, partnership, trust or business unit are necessary and appropriate in order to reflect its latest financial position.

Classification and explanation of terms

- 19.05 A listed issuer considering a transaction must, at an early stage, consider whether the transaction falls into one of the classifications set out in rule 19.06. In this regard, the listed issuer must determine whether or not to consult with its Compliance Adviser and/or its financial, legal or other professional advisers. Listed issuers, Compliance Advisers or other advisers which are in any doubt as to the application of the requirements in this Chapter should consult the Exchange at an early stage.

Note: Refer to rule 6A.23 regarding when a listed issuer is required to consult with and, if necessary, seek advice from its Compliance Adviser.

- 19.06 The transaction classification is made by using the percentage ratios set out in rule 19.07. The classifications are:—

- (1) share transaction — an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5%;
- (2) discloseable transaction — a transaction or a series of transactions (aggregated under rules 19.22 and 19.23) by a listed issuer where any percentage ratio is 5% or more, but less than 25%;
- (3) major transaction — a transaction or a series of transactions (aggregated under rules 19.22 and 19.23) by a listed issuer where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal;
- (4) very substantial disposal — a disposal or a series of disposals (aggregated under rules 19.22 and 19.23) of assets (including deemed disposals referred to in rule 19.29) by a listed issuer where any percentage ratio is 75% or more;
- (5) very substantial acquisition — an acquisition or a series of acquisitions (aggregated under rules 19.22 and 19.23) of assets by a listed issuer where any percentage ratio is 100% or more; and
- (6) reverse takeover — an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants as set out in Chapter 11. A “reverse takeover” normally refers to:—
 - (a) an acquisition or a series of acquisitions (aggregated under rules 19.22 and 19.23) of assets constituting a very substantial acquisition where there is or which will result in a change in control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries); or
 - (b) acquisition(s) of assets from a person or a group of persons or any of his/her associates pursuant to an agreement, arrangement or understanding entered into by the listed issuer within 24 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries), where such gaining of control had not been regarded as a reverse takeover, which individually or together constitute(s) a very substantial acquisition. For the purpose of determining whether the acquisition(s) constitute(s) a very substantial acquisition, the lower of:

- (A) the latest published figures of the asset value, revenue and profits as shown in the listed issuer's accounts and the market value of the listed issuer at the time of the change in control, which must be adjusted in the manner set out in rules 19.16, 19.17, 19.18 and 19.19, as applicable, up to the time of the change in control; and
- (B) the latest published figures of the asset value, revenue and profits as shown in the listed issuer's accounts and the market value of the listed issuer at the time of the acquisition(s), which must be adjusted in the manner set out in rules 19.16, 19.17, 19.18 and 19.19, as applicable,

is to be used as the denominator of the percentage ratios.

Note: Rule 19.06(6) will apply irrespective of whether any general offer obligations under the Takeovers Code have been waived.

Percentage ratios

19.07 The percentage ratios are the figures, expressed as percentages resulting from each of the following calculations:—

- (1) Assets ratio — the total assets which are the subject of the transaction divided by the total assets of the listed issuer (see in particular rules 19.09 to 19.12, 19.16, 19.18 and 19.19);
- (2) Profits ratio — the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer (see in particular rules 19.13 and 19.17);
- (3) Revenue ratio — the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer (see in particular rules 19.14 and 19.17);
- (4) Consideration ratio — the consideration divided by the total market capitalisation of the listed issuer. The total market capitalisation is the average closing price of the listed issuer's securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction (see in particular rule 19.15); and
- (5) Equity capital ratio — the number of shares to be issued by the listed issuer as consideration divided by the total number of the listed issuer's issued shares immediately before the transaction.

Notes: 1. The numerator includes shares that may be issued upon conversion or exercise of any convertible securities or subscription rights to be issued or granted by the listed issuer as consideration.

2. The listed issuer's debt capital (if any), including any preference shares, shall not be included in the calculation of the equity capital ratio.

Listed issuers must consider all the percentage ratios to the extent applicable for classifying a transaction. In the case of an acquisition where the target entity uses accounting standards different from those of the listed issuer, the listed issuer must, where applicable, perform an appropriate and meaningful reconciliation of the relevant figures for the purpose of calculating the percentage ratios.

- 19.08 The table below summarises the classification and percentage ratios resulting from the calculations set out in rule 19.07. However, listed issuers should refer to the relevant rules for the specific requirements.

Transaction type	Assets ratio	Consideration ratio	Profits ratio	Revenue ratio	Equity capital ratio
Share transaction	less than 5%	less than 5%	less than 5%	less than 5%	less than 5%
Discloseable transaction	5% or more but less than 25%	5% or more but less than 25%	5% or more but less than 25%	5% or more but less than 25%	5% or more but less than 25%
Major transaction – disposal	25% or more but less than 75%	25% or more but less than 75%	25% or more but less than 75%	25% or more but less than 75%	Not applicable
Major transaction – acquisition	25% or more but less than 100%	25% or more but less than 100%	25% or more but less than 100%	25% or more but less than 100%	25% or more but less than 100%
Very substantial disposal	75% or more	75% or more	75% or more	75% or more	Not applicable
Very substantial acquisition	100% or more	100% or more	100% or more	100% or more	100% or more

Note: The equity capital ratio relates only to an acquisition (and not a disposal) by a listed issuer issuing new equity capital.

Assets

- 19.09 Where the asset being acquired or disposed of constitutes equity capital, the listed issuer must take into account the matters referred to in rules 19.25 to 19.32 when calculating the amount of total assets which are the subject of the transaction.
- 19.10 Where the equity capital to be acquired or disposed of by the listed issuer is listed on the Main Board or GEM, the total assets which are the subject of the transaction must be adjusted in the manner set out in rules 19.16, 19.18 and 19.19.
- 19.11 Where a listed issuer which is a property company, shipping company or aircraft company acquires or disposes of properties, vessels or aircraft respectively, the aggregate value (on an unencumbered basis) of the properties, vessels or aircraft (as the case may be) being acquired or realised will be compared with the total assets of the listed issuer which must be adjusted in the manner set out in rules 19.16, 19.18 and 19.19 or the latest published valuation (on an unencumbered basis) of the properties, vessels or aircraft (as the case may be) if such valuation is published after the issue of accounts of the listed issuer, where appropriate.
- 19.12 Where the transaction involves granting an indemnity or a guarantee or providing financial assistance by a listed issuer, the assets ratio will be modified such that the total value of the indemnity, guarantee or financial assistance plus in each case any monetary advantage accruing to the entity benefiting from the transaction shall form the numerator of the assets ratio. The “monetary advantage” includes the difference between the actual value of consideration paid by the entity benefiting from the transaction and the fair value of consideration that would be paid by the entity if the indemnity, guarantee or financial assistance were provided by entities other than the listed issuer.

Profits

- 19.13 Profits mean net profits after deducting all charges except taxation and before non-controlling interests (See also rule 19.17). In the case of an acquisition or disposal of assets (other than equity capital) through a non wholly-owned subsidiary, the profits attributable to the assets acquired or disposed of (and not the listed issuer's proportionate interest in such profits) will form the numerator for the purpose of the profits ratio.

Revenue

- 19.14 "Revenue" normally means revenue arising from the principal activities of a company and does not include those items of revenue and gains that arise incidentally. In the case of any acquisition or disposal of assets (other than equity capital) through a non wholly-owned subsidiary, the revenue attributable to the assets being acquired or realised (and not the listed issuer's proportionate interest in such revenue) will form the numerator for the purpose of the revenue ratio (See also rule 19.17).

Consideration

- 19.15 When calculating the consideration ratio:—

- (1) the value of the consideration shall be the fair value of the consideration determined at the date of the agreement of the transaction in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements. Normally, the fair value of the consideration should be the same as the fair value of the asset which is the subject of the transaction. Where there is a significant disparity between the fair value of the consideration and the fair value of the asset, the listed issuer must use the higher of the fair value of the consideration and the fair value of the asset as the numerator of the consideration ratio;
- (2) where a transaction involves establishing a joint venture entity or other form of joint arrangement, the Exchange will aggregate:—
 - (a) the listed issuer's total capital commitment (whether equity, loan or otherwise), including any contractual commitment to subscribe for capital; and
 - (b) any guarantee or indemnity provided in connection with its establishment;

Note: Where a joint venture entity or other form of joint arrangement is established for a future purpose, for example to develop a property, and the total capital commitment cannot be calculated at the outset, the Exchange will require the listed issuer to recalculate the relevant percentage ratios at the time when that purpose is carried out. The Exchange will look at the purpose of setting up the arrangement in terms of the initial transaction only. For example, the purpose could be the development of the property for which the arrangement was established. The Exchange will not look at subsequent transactions entered into under the arrangement for the purpose of calculating the total capital commitment in relation to the establishment of the arrangement.

- (3) a listed issuer shall add any liabilities of the vendors, whether actual or contingent, to be discharged or assumed by the purchaser under the terms of the transactions, to the consideration. The Exchange may require that further amounts be included as it considers appropriate;

- (4) if the listed issuer may pay or receive consideration in the future, the consideration is the maximum total consideration payable or receivable under the agreement; and
- (5) in the case of any acquisition or disposal through a non wholly-owned subsidiary, the consideration (and not, for the avoidance of doubt, the listed issuer's proportionate interest in such consideration) will form the numerator for the purpose of the consideration ratio.

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
- (2) where appropriate, the latest published valuation of assets (excluding businesses and intangible assets) of the listed issuer if such valuation is published after the issue of such accounts.

Note: Rule 19.16(2) will normally apply to a valuation of assets such as properties, vessels and aircraft.

19.17 The profits (see rule 19.13) and revenue (see rule 19.14) figures to be used by a listed issuer for the basis of the profits ratio and revenue ratio must be the figures shown in its accounts. Where a listed issuer has discontinued one or more of its operating activities during the previous financial year and has separately disclosed the profits and revenue from the discontinued operations in its accounts in accordance with applicable accounting standards adopted for the preparation of its annual financial statements, the Exchange may be prepared to accept the exclusion of such profits and revenue for the purpose of the profits ratio and revenue ratio respectively.

19.18 The value of transactions or issues of securities by the listed issuer in respect of which adequate information has already been published and made available to shareholders in accordance with the GEM Listing Rules and which have been completed must be included in the total assets of the listed issuer.

19.19 In calculating total assets, the Exchange may require the inclusion of further amounts where contingent assets are involved.

Note: Contingent assets normally refer to assets that will have to be acquired by a listed issuer pursuant to an agreement upon occurrence or non-occurrence of certain event(s) after the listed issuer has entered into the agreement. Such event(s) is/are normally beyond the control of the listed issuer and the parties to the transaction. Contingent assets must be determined in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements.

Exceptions to the classification rules

19.20 The Exchange may, where any of the calculations of the percentage ratios produces an anomalous result or is inappropriate to the sphere of activity of the listed issuer, disregard the calculation and substitute other relevant indicators of size, including industry specific tests. The listed issuer must provide alternative tests which it considers appropriate to the Exchange for consideration.

Change in percentage ratios

- 19.21 If any of the percentage ratios changes to the extent that the classification of the transaction is altered between the time that any transaction is first discussed with the Exchange (if applicable) and the time of its announcement, the listed issuer must inform the Exchange. The listed issuer must comply with the relevant requirements applicable to the transaction at the time of the announcement.

Aggregation of transactions

- 19.22 In addition to the aggregation of acquisitions under rule 19.06(6)(b), 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.

- 19.23 Factors which the Exchange will take into account in determining whether transactions will be aggregated include whether the transactions:—

- (1) are entered into by the listed issuer with the same party or with parties connected or otherwise associated with one another;
- (2) involve the acquisition or disposal of securities or an interest in one particular company or group of companies;
- (3) involve the acquisition or disposal of parts of one asset; or
- (4) together lead to substantial involvement by the listed issuer in a business activity which did not previously form part of the listed issuer's principal business activities.

- 19.23A Where an asset is being constructed, developed or refurbished by or on behalf of a listed issuer for its own use in its ordinary and usual course of business (as referred to in rule 19.04(8)), the Exchange will not normally aggregate a series of transactions carried out by the listed issuer in the course of the construction, development or refurbishment of such asset as if they were one transaction where the sole basis for aggregation is rule 19.23(3). In cases of doubt, the listed issuer should consult the Exchange at an early stage.

- 19.23B For the purposes of aggregating transactions under rule 19.06(6)(b) and/or rule 19.22, a listed issuer must consult the Exchange before it enters into any proposed transaction(s) if

- (1) any circumstances described in rule 19.23 exist in respect of such proposed transaction(s) and any other transaction(s) entered into by the listed issuer in the preceding 12-month period (except for the situation described in rule 19.23A); or
- (2) the proposed transaction(s) and any other transaction(s) entered into by the listed issuer involve acquisitions of assets from a person or group of persons or any of his/her associates within 24 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the listed issuer (other than at the level of its subsidiaries).

The listed issuer must provide details of the transactions to the Exchange to enable it to determine whether the transactions will be aggregated.

Note: This rule serves to set out certain specific circumstances where the listed issuer must seek guidance from the Exchange before it enters into any proposed transaction(s). The Exchange may nevertheless aggregate transactions pursuant to rule 19.22 and/or rule 19.06(6)(b) where no prior consultation was made by the listed issuer under rule 19.23B.

Transaction involving an acquisition and a disposal

- 19.24 In the case of a transaction involving both an acquisition and a disposal, the Exchange will apply the percentage ratios to both the acquisition and the disposal. The transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to that classification. Where a circular is required, each of the acquisition and the disposal will be subject to the content requirements applicable to their respective transaction classification.

*Interpretation of the classification rules in circumstances
where the listed issuer or a subsidiary acquires or realises equity capital*

- 19.25 In circumstances where acquisitions or disposals of equity capital are made by a listed issuer, the provisions set out in rules 19.26 to 19.28 shall be applied in determining the classification of the transaction for the purposes of rule 19.06.
- 19.26 In an acquisition or disposal of equity capital, the numerators for the purposes of the (a) assets ratio, (b) profits ratio and (c) revenue ratio are to be calculated by reference to the value of the total assets, the profits attributable to such capital and the revenue attributable to such capital, respectively.
- 19.27 For the purpose of rule 19.26:

- (1) the value of an entity's total assets is the higher of:
 - (a) the book value of the entity's total assets attributable to the entity's capital as disclosed in its accounts; and
 - (b) the book value referred to in rule 19.27(1)(a) adjusted for the latest published valuation of the entity's assets if such valuation is published after the issue of its accounts; and

Note: This will normally apply to a valuation of assets such as properties, vessels and aircraft.

- (2) the value of an entity's profits and revenue is the profits and revenue attributable to the entity's capital as disclosed in its accounts.

- 19.28 The value of the entity's total assets, profits and revenue, calculated in accordance with rule 19.27, is to be multiplied by the percentage of the equity interest being acquired or disposed of by the listed issuer. However, 100% of the entity's total assets, profits and revenue will be taken as the value of the total assets, profits and revenue, irrespective of the size of the interest being acquired or disposed of, if:

- (1) the acquisition will result in consolidation of the assets of the entity in the accounts of the listed issuer; or
- (2) the disposal will result in the assets of the entity no longer being consolidated in the accounts of the listed issuer.

Note: For example:—

- *if a listed issuer (or subsidiary, whether wholly-owned or not) acquires 10% of the equity capital of an entity and has no prior holding in that entity, the relevant numerator will be 10%;*
- *if a listed issuer (or subsidiary, whether wholly-owned or not) acquires a further 10% interest in a subsidiary which is already consolidated in the listed issuer's accounts, the relevant numerator will be 10%; and*
- *if a listed issuer (or subsidiary, whether wholly-owned or not) acquires a 10% interest in an entity which will result in that entity being consolidated in the accounts of the listed issuer, the relevant numerator will be 100%.*

Deemed disposals

19.29 Allotments of share capital by a subsidiary of a listed issuer, whether or not such subsidiary is consolidated in the accounts of the listed issuer, may result in a reduction of the percentage equity interest of the listed issuer in such subsidiary. Such allotments give rise to deemed disposals. Profits or losses may be recorded on such transactions and such transactions may also fall to be treated as very substantial disposals, major or discloseable or connected transactions. Rules 19.30 to 19.32 set out how the percentage ratios are applied to such transactions.

19.30 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly):

(1) allots shares; and

(2) after the allotment, the subsidiary will continue to be a subsidiary,

the percentage by which the interest is reduced will be multiplied by the subsidiary's total assets, profit and revenue as disclosed in the accounts of the subsidiary allotting shares and that shall be taken as the respective numerators for the purpose of the assets ratio, profits ratio, revenue ratio and de minimis ratio.

Note: For example, if the interest is reduced from 90% to 80%, then 10% of the subsidiary's total assets, profits and revenue will form the respective numerators for the assets ratio, profits ratio, revenue ratio and de minimis ratio.

19.31 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly) allots shares such that, after the allotment, the subsidiary will cease to be a subsidiary, 100% of the subsidiary's total assets, profits and revenue will form the respective numerators for the assets ratio, profits ratio, revenue ratio and de minimis ratio.

Note: For example, if the interest is reduced from 60% to 40% and the subsidiary ceases to be a subsidiary, then 100% of the entity's total assets, profits and revenue will form the respective numerators for the assets ratio, profits ratio, revenue ratio and de minimis ratio.

19.32 Where a subsidiary of the listed issuer (whether or not consolidated in the accounts of the listed issuer, whether or not wholly-owned and whether held directly or indirectly) allots shares, it is necessary to calculate a value for the purpose of the consideration ratio. This is taken as the value of the shares issued to allottees (that are not part of the listed group) and is restricted to only those shares issued which are in excess of those necessary to maintain the allottees' relative percentage interest in the subsidiary.

Notification, publication and shareholders' approval requirements

19.33 The table below summarises the notification, publication and shareholders' approval requirements which will generally apply to each category of notifiable transaction. However, listed issuers should refer to the relevant rules for the specific requirements.

	Notification to Exchange	Publication of an announcement on GEM website	Circular to shareholders	Shareholders' approval	Accountants' report
Share transaction	Yes	Yes	No	No ¹	No
Discloseable transaction	Yes	Yes	No	No	No
Major transaction	Yes	Yes	Yes	Yes ²	Yes ³
Very substantial disposal	Yes	Yes	Yes	Yes ²	No ⁵
Very substantial acquisition	Yes	Yes	Yes	Yes ²	Yes ⁴
Reverse takeover	Yes	Yes	Yes	Yes ^{2, 6}	Yes ⁴

Notes: 1 No shareholder approval is necessary if the consideration shares are issued under a general mandate. However, if the shares are not issued under a general mandate, the listed issuer is required, pursuant to rule 17.41(2), to obtain shareholders' approval in general meeting prior to the issue of the consideration shares.

2 Any shareholder and his close associates must abstain from voting if such shareholder has a material interest in the transaction.

3 An accountants' report on the business, company or companies being acquired is required (see also rules 7.05 and 19.67(6)).

4 An accountants' report on any business, company or companies being acquired is required (see also rules 7.05 and 19.69(4)).

5 A listed issuer may at its option include an accountants' report (see note 1 to rule 19.68(2)(a)(i)).

6 Approval of the Exchange is necessary.

*Exemptions for Qualified Property Acquisitions
which constitute major transactions or very substantial acquisitions*

19.33A A Qualified Property Acquisition which constitutes a major transaction or very substantial acquisition is exempt from shareholders' approval if:

- (1) it is undertaken on a sole basis by a Qualified Issuer in its ordinary and usual course of business; or
- (2) it is undertaken by a Qualified Issuer and other party or parties on a joint basis and:
 - (a) the project will be single purpose, relating to the acquisition and/or development of a specific property and consistent with the purpose specified in the auction or tender document;
 - (b) each joint venture arrangement must be on an arm's length basis and on normal commercial terms;
 - (c) the joint venture agreement contains clause(s) to the effect that the joint venture may not, without its partners' unanimous consent:
 - (i) change the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the auction or tender document; or
 - (ii) enter into any transactions which are not on an arm's length basis; and
 - (d) the Qualified Issuer's board has confirmed that the Qualified Property Acquisition is in the Qualified Issuer's ordinary and usual course of business; and that the Qualified Property Acquisition and the joint venture, including its financing and profit distribution arrangements, are on normal commercial terms, fair and reasonable and in the interests of the Qualified Issuer and its shareholders as a whole.

19.33B (1) The Qualified Issuer must publish an announcement as soon as possible after notification of the success of a bid by it or the joint venture for a Qualified Property Acquisition falling under rule 19.33A and send a circular to its shareholders.

- (2) The announcement and circular must contain:
 - (a) details of the acquisition;
 - (b) details of the joint venture, if any, including
 - (i) the joint venture's terms and status;
 - (ii) its dividend and distribution policy; and
 - (iii) the joint venture's financial and capital commitment and the Qualified Issuer's share in it; and
 - (c) information to demonstrate that the conditions in rule 19.33A(1) or (2) were met.

Note: If any of these details are not available when the issuer publishes the initial announcement, it must publish subsequent announcement(s) to disclose the details as soon as possible after they have been agreed or finalised,

- (3) The announcement and circular requirements under chapter 19 apply to the acquisition and the joint venture, if any, according to the transaction classification, except that the information circular need not contain a valuation report on the property under the Qualified Property Acquisition.

Requirements for all transactions

Notification and announcement

- 19.34 As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover have been finalised, the listed issuer must in each case:—
- (1) inform the Exchange; and
 - (2) submit an announcement to the Exchange to be published on the GEM website as soon as possible. See also rule 19.37.
- 19.35 For a share transaction, the announcement must contain the information set out in rules 19.58 and 19.59. For a discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover, the announcement must contain at least the information set out in rules 19.58 and 19.60. In all cases, listed issuers must also include any additional information requested by the Exchange.
- 19.36 Where a transaction previously announced pursuant to this Chapter is terminated or there is any material variation of its terms or material delay in the completion of the agreement, the listed issuer must as soon as practicable announce this fact by means of an announcement. This requirement is without prejudice to the generality of any other provisions of the GEM Listing Rules and the listed issuer must, where applicable, also comply with such provisions.
- 19.36A Where there is expected to be delay in despatch of the circular by the date previously announced under rule 19.60(7) or this rule, the listed issuer must as soon as practicable disclose this fact by way of an announcement stating the reason for the delay and the new expected date of despatch of the circular.

Trading halt and suspension of dealings

- 19.37 (1) Where an issuer has signed an agreement in respect of a share transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover and the required announcement has not been published on a business day, it must apply for a trading halt or a trading suspension pending the announcement.
- (2) Without prejudice to rule 19.37(1), an issuer that has signed an agreement in respect of a notifiable transaction which it reasonably believes would require disclosure under the Inside Information Provisions must immediately apply for a trading halt or a trading suspension pending announcement of the agreement.
- (3) An issuer that has finalised the major terms of an agreement in respect of a notifiable transaction which it reasonably believes would require disclosure under the Inside Information Provisions must ensure confidentiality of the relevant information until making the required announcement. Where the issuer considers that the necessary degree of security cannot be maintained or that the security may have been breached, it must make an announcement or immediately apply for a trading halt or a trading suspension pending the announcement.
- (4) Directors of issuers must, under rule 17.07A, maintain confidentiality of information that is likely to be inside information, until it is announced.
- (5) In the case of a reverse takeover, suspension of dealings in the issuer's securities must continue until the issuer has announced sufficient information. Whether the amount of information disclosed in the announcement is sufficient or not is determined on a case-by-case basis.

Additional requirements for major transactions

Circular

- 19.38 In addition to the requirements for all transactions set out in rule 19.34 to 19.37, a listed issuer which has entered into a major transaction must send a circular to its shareholders and the Exchange and arrange for its publication in accordance with the provisions of Chapter 16.
- 19.39 [Repealed 1 January 2009]

Shareholders' approval

- 19.40 A major transaction must be made conditional on approval by shareholders.
- 19.41 The circular must be despatched to the shareholders of the listed issuer:
- (a) if the transaction is approved or is to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders under rule 19.44, within 15 business days after publication of the announcement; or
- (b) if the transaction is to be approved by shareholders at a general meeting, at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction.

The circular shall contain information required under rules 19.63, 19.66, 19.67 (for an acquisition only) and 19.70 (for a disposal only).

- 19.42 A listed issuer shall despatch to its shareholders any revised or supplementary circular and/or provide any material information that has come to the attention of the directors after the issue of the circular (by way of announcement) on the transaction to be considered at a general meeting not less than 10 business days before the date of the relevant general meeting.

Note: The listed issuer must assess the scale of revisions or updating required and materiality of the new information, revisions or updating required that has come to its attention after publication of the circular, when deciding whether to issue a revised or supplementary circular or publish an announcement. Where the revisions or updating required are significant, the listed issuer must consider carefully whether it would be better to publish a revised or supplementary circular rather than provide particulars of the changes in an announcement. The listed issuer should not overwhelm or confuse investors with lengthy announcements describing changes to information contained in the original circular.

- 19.43 The meeting must be adjourned before considering the relevant resolution to ensure compliance with the 10 business day requirement under rule 19.42 by the chairman or, if that is not permitted by the listed issuer's constitutional documents, by resolution to that effect (see also rule 17.47B).

Methods of approval

- 19.44 Shareholders' approval for a major transaction shall be given by a majority vote at a general meeting of the shareholders of the issuer unless all the following conditions are met, in which case written shareholders' approval may, subject to rule 19.86, be accepted in lieu of holding a general meeting:—

- (1) no shareholder is required to abstain from voting if the issuer were to convene a general meeting for the approval of the transaction; and
- (2) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction. Where a listed issuer discloses inside information to any shareholder in confidence to solicit the written shareholders' approval, the listed issuer must be satisfied that such shareholder is aware that he must not deal in the listed issuer's securities before such information has been made available to the public.

- 19.45 To determine whether a group of shareholders constitutes a "closely allied group of shareholders," the Exchange will take into account the following factors:—

- (1) the number of persons in the group;
- (2) the nature of their relationship including any past or present business association between two or more of them;
- (3) the length of time each of them has been a shareholder;
- (4) whether they would together be regarded as "acting in concert" for the purposes of the Takeovers Code; and
- (5) the way in which they have voted in the past on shareholders' resolutions other than routine resolutions at an annual general meeting.

It is the listed issuer's responsibility to provide sufficient information to the Exchange to demonstrate that the group of shareholders is a "closely allied group" of shareholders.

19.46 The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction and will not accept written approval for the transaction.

19.47 [Repealed 1 January 2009]

Additional requirements for very substantial disposals and very substantial acquisitions

19.48 In the case of a very substantial disposal or a very substantial acquisition, the listed issuer must comply with the requirements for all transactions and for major transactions set out in rules 19.34 to 19.38 and 19.41.

19.49 A very substantial disposal and a very substantial acquisition must be made conditional on approval by shareholders in general meeting. No written shareholders' approval will be accepted in lieu of holding a general meeting. The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction.

19.50 [Repealed 1 January 2009]

19.51 The circular must be despatched to the shareholders of the listed issuer at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction referred to in the circular. The circular must contain the information required under rules 19.63, 19.68 (for a very substantial disposal) and 19.69 (for a very substantial acquisition).

19.52 A listed issuer shall despatch to its shareholders any revised or supplementary circular and/or provide any material information that has come to the attention of the directors after the issue of the circular (by way of announcement) on the transaction to be considered at a general meeting not less than 10 business days before the date of the relevant general meeting.

Note: The listed issuer must assess the scale of revisions or updating required and materiality of the new information, revisions or updating required that has come to its attention after publication of the circular, when deciding whether to issue a revised or supplementary circular or publish an announcement. Where the revisions or updating required are significant, the listed issuer must consider carefully whether it would be better to publish a revised or supplementary circular rather than provide particulars of the changes in an announcement. The listed issuer should not overwhelm or confuse investors with lengthy announcements describing changes to information contained in the original circular.

19.53 The meeting must be adjourned before considering the relevant resolution to ensure compliance with the 10 business day requirement under rule 19.52 by the chairman or, if that is not permitted by the listed issuer's constitutional documents, by resolution to that effect (see also rule 17.47B).

Additional requirements for reverse takeovers

- 19.54 The Exchange will treat a listed issuer proposing a reverse takeover as if it were a new listing applicant. The enlarged group or the assets to be acquired must be able to meet the requirements of rule 11.12A and the enlarged group must be able to meet all the other basic conditions set out in Chapter 11. The listed issuer must comply with the requirements for all transactions set out in rules 19.34 to 19.37.
- 19.55 A reverse takeover must be made conditional on approval by shareholders in general meeting. No written shareholders' approval will be accepted in lieu of holding a general meeting. The Exchange will require any shareholder and his close associates to abstain from voting at the relevant general meeting on the relevant resolution(s) if such shareholder has a material interest in the transaction. Furthermore, where there is a change in control of the listed issuer as referred to in rule 19.06(6) and any person or group of persons will cease to be a controlling shareholder (the "outgoing controlling shareholder") by virtue of a disposal of his shares to the person or group of persons gaining control (the "incoming controlling shareholder"), any of the incoming controlling shareholder's close associates or an independent third party, the outgoing controlling shareholder and his close associates may not vote in favour of any resolution approving an injection of assets by the incoming controlling shareholder or his close associates at the time of the change in control.

Note: The prohibition against the outgoing controlling shareholder and his close associates voting in favour of a resolution approving an injection of assets does not apply where the decrease in the outgoing controlling shareholder's shareholding is solely the result of a dilution through the issue of new shares to the incoming controlling shareholder rather than any disposal of shares by the outgoing controlling shareholder.

19.56 [Repealed 1 January 2009]

- 19.57 A listed issuer proposing a reverse takeover must comply with the procedures and requirements from new listing applications as set out in Chapter 12. The listed issuer will be required, among other things, to issue a listing document and pay the non-refundable initial listing fee. A listing document relating to a reverse takeover must contain the information required under rules 19.63 and 19.69. The listing document must be despatched to the shareholders of the listed issuer at the same time as or before the listed issuer gives notice of the general meeting to approve the transaction. The listed issuer must state in the announcement on the reverse takeover when it expects the listing document to be issued.

Contents of announcements

All transactions

- 19.58 The announcement for a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover must contain at least the following information:—
- (1) a prominent and legible disclaimer at the top of the announcement in the form set out in rule 2.19;
 - (2) a statement of responsibility and confirmation on the part of the directors in the form set out in rule 2.18;

- (3) a description of the principal business activities carried on by the listed issuer and a general description of the principal business activities of the counterparty, if the counterparty is a company or entity;
- (4) the date of the transaction. The listed issuer must also confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the listed issuer and connected persons of the listed issuer;
- (5) the aggregate value of the consideration, how it is being or is to be satisfied and details of the terms of any arrangements for payment on a deferred basis. If the consideration includes securities for which listing will be sought, the listed issuer must also include the amounts and details of the securities being issued;
- (6) the basis upon which the consideration was determined;
- (7) the value (book value and valuation, if any) of the assets which are the subject of the transaction;
- (8) where applicable, the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction;
- (9) the reasons for entering into the transaction, the benefits which are expected to accrue to the listed issuer as a result of the transaction and a statement that the directors believe that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole; and
- (10) where appropriate, details of any guarantee and/or other security given or required as part of or in connection with the transaction.

Share transaction announcements

19.59 In addition to the information set out in rule 19.58, the announcement for a share transaction must contain at least the following information:—

- (1) the amount and details of the securities being issued including details of any restrictions which apply to the subsequent sale of such securities;
- (2) brief details of the asset(s) being acquired, including the name of any company or business or the actual assets or properties where relevant and, if the assets include securities, the name and general description of the activities of the company in which the securities are or were held;
- (3) if the transaction involves an issue of securities of a subsidiary of the listed issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the listed issuer following the transaction;
- (4) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities; and
- (5) a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities.

*Discloseable transaction, major transaction, very substantial disposal,
very substantial acquisition and reverse takeover announcements*

19.60 In addition to the information set out in rule 19.58, the announcement for a discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover must contain at least brief details of the following:—

- (1) the general nature of the transaction including, where the transaction involves securities, details of any restrictions which apply to the subsequent sale of such securities;
- (2) brief details of the asset(s) being acquired or disposed of, including the name of any company or business or the actual assets or properties where relevant and, if the assets include securities, the name and general description of the activities of the company in which the securities are or were held;
- (3) in the case of a disposal:—
 - (a) details of the gain or loss expected to accrue to the listed issuer and the basis for calculating this gain or loss. Where the listed issuer expects to recognise in its income statement a gain or loss different from the disclosed gain or loss, the reason for the difference must be explained. The gain or loss is to be calculated by reference to the carrying value of the assets in the accounts; and
 - (b) the intended application of the sale proceeds;
- (4) if the transaction involves an issue of securities for which listing will be sought, the announcement must also include:
 - (a) a statement that the announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities; and
 - (b) a statement that application has been or will be made to the Exchange for the listing of and permission to deal in the securities;
- (5) where the transaction is a major transaction approved or to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders pursuant to rule 19.44, details of the shareholder or the closely allied group of shareholders (as the case may be), including the name of the shareholder(s), the number of securities held by each such shareholder and the relationship between the shareholders;
- (6) if the transaction involves a disposal of an interest in a subsidiary by a listed issuer, a declaration as to whether the subsidiary will continue to be a subsidiary of the listed issuer following the transaction; and
- (7) in the case of a major transaction, a very substantial disposal, a very substantial acquisition or a reverse takeover, the expected date of despatch of the circular and if this is more than 15 business days after the publication of the announcement, the reasons why this is so.

Note: If there is expected to be delay in despatch of the circular, the listed issuer must as soon as practicable publish a further announcement in accordance with rule 19.36A.

19.60A In addition to the information set out in rule 19.60, where the announcement for a discloseable transaction contains a profit forecast as referred to in rule 19.62, the announcement must contain the following information or the issuer must publish a further announcement containing the following information within 15 business days after the publication of the announcement:

- (1) the information specified in paragraph 29(2) of Appendix 1, Part B; and
- (2) information regarding the expert statements contained in the announcement, which is specified in paragraph 5 of Appendix 1, Part B.

Profit forecast in an announcement

19.61 A “profit forecast” means any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses, either expressly or by reference to previous profits or losses or any other benchmark or point of reference. It also includes any profit estimate, being any estimate of profits or losses for a financial period which has expired but for which the results have not yet been published. Any valuation of assets (except for property interests (as defined in rule 8.01(3)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows is regarded as a profit forecast.

19.62 Where the announcement contains a profit forecast in respect of the issuer or a company which is, or is proposed to become, one of its subsidiaries, the issuer must submit the following additional information and documents to the Exchange no later than the making of such announcement:—

- (1) details of the principal assumptions, including commercial assumptions, upon which the forecast is based;
- (2) a letter from the issuer’s auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; and
- (3) a report from the issuer’s financial advisers confirming that they are satisfied that the forecast has been made by the directors after due and careful enquiry. If no financial advisers have been appointed in connection with the transaction, the issuer must provide a letter from the board of directors confirming they have made the forecast after due and careful enquiry.

Note: See rule 17.26B in respect of issuers’ obligation to announce material or significant changes which impact on profit forecasts.

Contents of circulars

General principles

19.63 A circular for a major transaction, very substantial disposal or very substantial acquisition and a listing document for a reverse takeover sent by a listed issuer to holders of its listed securities must:—

- (1) provide a clear, concise and adequate explanation of its subject matter having regard to the provisions of rule 17.56; and
- (2) if voting or shareholders’ approval is required:
 - (a) contain all information necessary to allow the holders of the securities to make a properly informed decision;

- (b) contain a heading emphasising the importance of the document and advising holders of securities, who are in any doubt as to what action to take, to consult appropriate independent advisers;
 - (c) contain a recommendation from the directors as to the voting action that shareholders should take, indicating whether or not the proposed transaction described in the circular is, in the opinion of the directors, fair and reasonable and in the interests of the shareholders as a whole; and
 - (d) contain a statement that any shareholder with a material interest in a proposed transaction and his close associates will abstain from voting on resolution(s) approving that transaction; and
- (3) a confirmation that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the listed issuer and connected persons of the listed issuer.

19.64 [Repealed 1 January 2009]

19.65 [Repealed 1 January 2009]

Major transaction circulars

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

- (1) a prominent and legible disclaimer on the front cover or inside front cover of the circular in the form set out in rule 2.19;
- (2) a statement, at a prominent position in the document, and in bold type, about the characteristics of GEM, in the form set out in rule 2.20;
- (3) the information regarding the listed issuer specified in the following paragraphs of Appendix 1, Part B:—
 - 1- name
 - 2- directors' responsibility
 - 5- expert statements
 - 29(2)- requirements if there is a profit forecast
 - 33- litigation statement
 - 35- details of secretary and other officers
 - 36- address of registered office and head office;
- (4) information regarding interests of directors and chief executive in the listed issuer required under paragraphs 34, 38 and 38A of Appendix 1, Part B;
- (5) information which is required to be included in the announcement under rule 19.60;
- (6) information concerning the effect of the transaction on the earnings and assets and liabilities of the listed issuer;

- (7) where a company either becomes a subsidiary or ceases to be a subsidiary of the listed issuer:—
- (a) the percentage of the company's issued shares (if any) held by the listed issuer after the acquisition or disposal; and
 - (b) in the case of a disposal, a statement whether the remaining shares are to be sold or retained;
- (8) details of any existing or proposed service contracts of directors and proposed directors of the listed issuer, or an appropriate negative statement;

Note: Details of contracts to expire or which may be terminated by the employer within a year without payment of any compensation (other than statutory compensation) need not be included.

- (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);
- (10) any additional information requested by the Exchange;
- (11) the information regarding the listed issuer specified in the following paragraphs of Appendix 1, Part B:—
- 28- indebtedness
 - 29(1)(b)- financial and trading prospects
 - 30- sufficiency of working capital, which must take into account the effect of the transaction
 - 40- directors' and experts' interests in group assets
 - 41- material contracts
 - 42- documents on display;
- (12) where required by Chapter 8, information under that Chapter on the property interest being acquired or disposed of by the listed issuer;
- (13) where the circular contains a statement as to the sufficiency of working capital, the Exchange will require a letter from the listed issuer's financial advisers or auditors confirming that:—
- (a) the statement has been made by the directors after due and careful enquiry; and
 - (b) the persons or institutions providing finance have confirmed in writing that such facilities exist; and
- (14) where applicable, the information required under rule 2.28.

19.67 In addition to the requirements set out in rule 19.66, a circular issued in relation to an acquisition constituting a major transaction must contain:—

- (1) the information required under paragraphs 9 and 10 of Appendix 1, Part B, if the acquisition involves securities for which listing will be sought;

- (2) the information required under paragraph 22(1) of Appendix 1, Part B, if new shares are to be issued as consideration;
- (3) where the consideration for a transaction includes the listed issuer's shares or securities that are convertible into the listed issuer's shares, a statement whether the transaction will result in a change of control of the listed issuer;
- (4) the information regarding the listed issuer required under paragraphs 31 (financial information) and 32 (no material adverse change) of Appendix 1, Part B;
- (5) the information required under paragraph 34 of Appendix 1, Part B, in relation to each new director and member of senior management joining the listed issuer in connection with the transaction;

Note: The fact that any director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the listed issuer which would fall to be disclosed to the listed issuer under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance need not be stated.

- (6) (a) on an acquisition of any business, company or companies:
 - (i) an accountants' report on the business, company or companies being acquired in accordance with Chapter 7 provided that, where any company in question has not or will not become a subsidiary of the listed issuer, the Exchange may be prepared to relax this requirement. The accounts on which the report is based must relate to a financial period ended 6 months or less before the circular is issued. The financial information on the business, company or companies being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

Note: Where the accountants can only give a qualified opinion in the accountants' report in respect of the acquisition of the business, company or companies, for example because the records of stock or work-in-progress are inadequate, the Exchange will not accept a written shareholders' approval for the transaction, but will require a general meeting to be held to consider the transaction (See rule 19.86). In these circumstances, listed issuers are urged to contact the Exchange as soon as possible.

- (ii) a pro forma statement of the assets and liabilities of the listed issuer's group combined with the assets and liabilities of the business, company or companies being acquired on the same accounting basis. The pro forma financial information must comply with Chapter 7; and
- (b) on an acquisition of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation:
 - (i) a profit and loss statement and valuation (where available) for the 3 preceding financial years (or less, where the asset has been held by the vendor for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and

derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended 6 months or less before the circular is issued. The financial information on the assets being acquired as contained in the circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

- (ii) a pro forma statement of the assets and liabilities of the listed issuer's group combined with the assets being acquired on the same accounting basis. The pro forma financial information must comply with Chapter 7; and
- (7) a discussion and analysis of results of the business, company or companies being acquired covering all those matters set out in rule 18.41 for the period reported on in the accountants' report.

Inability to access information to compile circulars for major transactions or very substantial acquisitions

- 19.67A (1) Where a listed issuer has acquired and/or agreed to acquire equity capital in a company and the transaction constitutes a major transaction or a very substantial acquisition, and the listed issuer does not have access or only has limited access to the non-public information on the target company that would be required for the purpose of complying with the disclosure requirements in respect of the target company and the enlarged group under rules 19.66 and 19.67 (for a major transaction) or rule 19.69 (for a very substantial acquisition), then the listed issuer may defer complying with certain of the disclosure requirements in the manner set out in paragraphs (2) and (3) below, provided that the following conditions are demonstrated to the satisfaction of the Exchange:
- (a) the unavailability of non-public information is caused by the lack of co-operation of the board of directors in the target company (such as in the case of a hostile takeover) and/or legal or regulatory restrictions in providing non-public information to the listed issuer;
 - (b) the target company is listed on a regulated, regularly operating, open stock exchange recognised by the Exchange (including the Main Board or GEM); and
 - (c) the target company will become a subsidiary of the listed issuer.
- (2) Subject to the conditions in paragraphs (1)(a), (b) and (c) being satisfied, the listed issuer may defer complying with the disclosure requirements for certain non-public information relating to the target company and/or the enlarged group. In such circumstances, the listed issuer must despatch an initial circular in partial compliance with rules 19.66 and 19.67 or rule 19.69 within the time frames stipulated in rules 19.41 and 19.42 or rules 19.48 and 19.52. The initial circular shall include, as a minimum, the following:
- (a) material public information (and other available information of which the listed issuer is aware and is free to disclose) of the target company to enable shareholders to make an informed voting decision with respect to the proposed acquisition. This would include:
 - (i) published audited financial information of the target company for the preceding three years (and the latest published unaudited interim accounts) together with a qualitative explanation of the principal differences, if any, between the target company's accounting standards and those of the listed issuer's which may have a material impact on the financial statements of the target company; and

- (ii) other information of the target company and its group of companies in the public domain or made available by the target company and which the listed issuer is aware and free to disclose;
 - (b) where information required for the enlarged group is not available, to include the following information regarding the issuer:
 - (i) statement of indebtedness (see rule 19.66(11), paragraph 28 and Note 2 to Appendix 1, Part B);
 - (ii) statement of sufficiency of working capital (see rule 19.66(11), paragraph 30 and Note 2 to Appendix 1, Part B);
 - (iii) [Repealed 1 January 2012];
 - (iv) discussion and analysis of results (this is applicable only to very substantial acquisitions, see rule 19.69(8));
 - (v) statement as to the financial and trading prospects (see rule 19.66(11), paragraph 29(1)(b) and Note 2 to Appendix 1, Part B);
 - (vi) particulars of any litigation or claims of material importance (see rule 19.66(3), paragraph 33 and Note 2 to Appendix 1, Part B);
 - (vii) particulars of directors' or experts' interests in group assets (see rule 19.66(11), paragraph 40 and Note 2 to Appendix 1, Part B);
 - (viii) material contracts and documents for inspection (see rule 19.66(11), paragraphs 41, 42 and Note 2 to Appendix 1, Part B); and
 - (c) the reasons why access to books and records of the target company has not been granted to the listed issuer.
- (3) Where an initial circular has been despatched by a listed issuer under paragraph (2) above, the listed issuer must despatch a supplemental circular at a later date which contains: (i) all the prescribed information under rules 19.66 and 19.67 or rule 19.69 which has not been previously disclosed in the initial circular; and (ii) any material changes to the information previously disclosed in the initial circular. The supplemental circular must be despatched to shareholders within 45 days of the earlier of: the listed issuer being able to gain access to the target company's books and records for the purpose of complying with the disclosure requirements in respect of the target company and the enlarged group under rules 19.66 and 19.67 or rule 19.69; and the listed issuer being able to exercise control over the target company.

Very substantial disposal circulars

19.68 A circular issued in relation to a very substantial disposal must contain:—

- (1) the information required under rules 19.66 and 19.70;

(2) (a) on a disposal of a business, company or companies:

(i) financial information of either:

(A) the business, company or companies being disposed of; or

(B) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (a) discontinuing operation(s),

for the relevant period (as defined in the note to rule 7.05(1)(a)). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity.

The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any qualifications or modifications in the review report; and

Notes: 1. The listed issuer may include an accountants' report instead of a review by its auditors or reporting accountants. In that case, the accountants' report must comply with Chapter 7.

2. The Exchange may be prepared to relax the requirements in this rule if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.

(ii) pro forma income statement, balance sheet and cash flow statement of the remaining group on the same accounting basis. The pro forma financial information must comply with Chapter 7;

(b) on a disposal of any revenue-generating assets (other than a business or company) with an identifiable income stream or assets valuation:

(i) a profit and loss statement and valuation (where available) for the 3 preceding financial years (or less, where the asset has been held by the listed issuer for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended 6 months or less before the circular is issued; and

(ii) a pro forma profit and loss statement and net assets statement on the remaining group on the same accounting basis. The pro forma financial information must comply with Chapter 7;

- (3) the information required under rule 18.41 on the remaining group; and
- (4) the information regarding the listed issuer required under paragraph 32 (no material adverse change) of Appendix 1, Part B.

Very substantial acquisition circulars and reverse takeover listing documents

19.69 A circular issued for a very substantial acquisition or a listing document issued for a reverse takeover must contain:—

- (1) for a reverse takeover,
 - (a) the information required under rule 19.66 (except for the information required under rules 19.66(3), 19.66(4), 19.66(11) and 19.66(12)) and rule 19.67(3);
 - (b) the information required under Appendix 1, Part A, if it applies, except paragraphs 8 and 15(3) (in respect of the 12 months before the issue of the circular or listing document) and 20(1). For paragraph 36, the statement on sufficiency of working capital must take into account the effect of the transaction; and
 - (c) [Repealed 1 January 2009]
 - (d) information on the enlarged group's property interests under rules 8.01A and 8.01B;
- (2) for a very substantial acquisition, the information required under rules 19.66 to 19.67 (except for the information required under rule 19.67(6)) and rule 2.28;
- (3) [Repealed 1 January 2012];
- (4) (a) on an acquisition of any business, company or companies:
 - (i) an accountants' report on the business, company or companies being acquired in accordance with Chapter 7. The accounts on which the report is based must relate to a financial period ended 6 months or less before the listing document or circular is issued. The financial information on the business, company or companies being acquired as contained in the accountants' report must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and
 - (ii) pro forma income statement, balance sheet and cash flow statement of the enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 7;
- (b) on an acquisition of any revenue-generating assets (other than a business or a company) with an identifiable income stream or assets valuation:
 - (i) a profit and loss statement and valuation (where available) for the 3 preceding financial years (or less, where, other than in the case of a reverse takeover, the asset has been held by the vendor for a shorter period) on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended 6 months or less before the listing document or circular is issued. The financial information on

the assets being acquired as contained in the listing document or circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and

- (ii) a pro forma profit and loss statement and net assets statement on the enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 7;
- (5) where the transaction also involves a disposal by the listed issuer, the information required under rule 19.70(2);
- (6) general information on the trend of the business of the group since the date to which the accounts of the listed issuer were made up and a statement as to the financial and trading prospects of the group for at least the current financial year (together with any material information which may be relevant);
- (7) in the case of a listing document issued in relation to a reverse takeover, a statement of business objectives (in respect of the current financial year and the 2 financial years thereafter) (see rules 14.19 to 14.21); and
- (8) in respect of a circular issued in relation to a very substantial acquisition a separate discussion and analysis of the performance of each of the existing group and any business or company acquired or to be acquired for the relevant period referred to in rule 7.05(1)(a), in both cases covering all those matters set out in rule 18.41.

Additional requirements for circulars in respect of disposals

19.70 In addition to the requirements set out in rule 19.66, a circular issued in relation to a disposal constituting a major transaction must contain:—

- (1) the intended application of the sale proceeds (including whether such proceeds will be used to invest in any assets) and, if the sale proceeds include securities, whether they are to be listed or not; and
- (2) the excess or deficit of the consideration over or under the net book value of the asset(s).

Circulars for specific types of companies

19.71 Where a major transaction, very substantial acquisition, very substantial disposal or reverse takeover involves acquiring or disposing of an interest in an infrastructure project or an infrastructure or project company, the listed issuer shall incorporate in the circular or listing document a business valuation report on the business or company being acquired or disposed of and/or traffic study report in respect of the infrastructure project or an infrastructure or project company. Such report(s) must clearly set out:

- (1) all fundamental underlying assumptions including discount rate or growth rate used; and
- (2) a sensitivity analysis based on the various discount rates and growth rates.

Where any business valuation is based on a profit forecast, the accounting policies and calculations for the underlying forecasts must be examined and reported on by the auditors or reporting accountants. Any financial adviser mentioned in the circular or listing document must also report on the underlying forecasts.

Note: On profit forecasts, see also rules 19.61 and 19.62.

19.71A Where a discloseable transaction, major transaction or very substantial acquisition involves a Qualified Property Acquisition described in Note to rule 20.99, the Qualified Issuer shall comply with additional announcement and reporting requirements with details as described in chapter 20.

Options

Definitions

19.72 In this Chapter and Chapter 20:—

(1) “option” means the right, but not the obligation, to buy or sell something;

Notes: The term “option” for the purposes of this Chapter and Chapter 20 does not refer to:—

- 1. options, warrants and similar rights to subscribe for or purchase equity securities of a listed issuer under Chapter 21;*
 - 2. convertible equity securities under Chapter 22;*
 - 3. options granted pursuant to a share option scheme under Chapter 23;*
 - 4. options, warrants and similar rights to subscribe for or purchase debt securities of a listed issuer under Chapter 33;*
 - 5. convertible debt securities under Chapter 34; or*
 - 6. Options Contracts traded through the Options System as defined in the Options Trading Rules of the Exchange and the Options Clearing Rules of The SEHK Options Clearing House Limited.*
- (2) “exercise price” means the price at which the option holder is entitled to buy or sell the subject matter of the option;
- (3) “premium” is the price paid and/or payable by an option holder to acquire an option; and
- (4) “expiration” is the time at which the option can no longer be exercised.

19.73 The grant, acquisition, transfer or exercise of an option by a listed issuer will be treated as a transaction and classified by reference to the percentage ratios. The termination of an option by a listed issuer will be treated as a transaction and classified by reference to the percentage ratio, unless the termination is in accordance with the terms of the original agreement entered into by the listed issuer and does not involve payment of any amounts by way of penalty, damages or other compensation. The listed issuer must comply with the requirements of the relevant classification and other specific requirements of rules 19.74 to 19.77.

19.74 The following apply to an option involving a listed issuer, the exercise of which is not at the listed issuer’s discretion:—

- (1) on the grant of the option, the transaction will be classified as if the option had been exercised. For the purpose of the percentage ratios, the consideration includes the premium and the exercise price of the option; and

- (2) on the exercise or transfer of such option, such exercise or transfer must be announced pursuant to the requirements of Chapter 16 as soon as reasonably practicable if the grant of the option has previously been announced pursuant to the requirements of this Chapter.
- 19.75 The following apply to an option involving a listed issuer, the exercise of which is at the listed issuer's discretion:—
- (1) on the acquisition by, or grant of the option to, the listed issuer, only the premium will be taken into consideration for the purpose of classification of notifiable transactions. Where the premium represents 10% or more of the sum of the premium and the exercise price, the value of the underlying assets, the profits and revenue attributable to such assets, and the sum of the premium and the exercise price will be used for the purpose of the percentage ratios;
 - (2) on the exercise of such option by the listed issuer, the exercise price, the value of the underlying assets and the profits and revenue attributable to such assets will be used for the purpose of the percentage ratios. Where an option is exercised in stages, the Exchange may at any stage as the Exchange may consider appropriate require the listed issuer to aggregate each partial exercise of the option and treat them as if they were one transaction (see rules 19.22 and 19.23).
- 19.76 (1) For the purpose of rules 19.74(1) and 19.75(1), where, on the grant of the option, the actual monetary value of each of the premium, the exercise price, the value of the underlying assets and the profits and revenue attributable to such assets has not been determined, the listed issuer must demonstrate to the satisfaction of the Exchange the highest possible monetary value, which value will then be used for the purpose of classification of notifiable transaction. Failure to do so will result in the transaction being classified as at least a major transaction. The listed issuer must inform the Exchange of the actual monetary value of each of the premium, the exercise price, the value of the underlying assets and the profits and revenue attributable to such assets as soon as it has been determined. If the actual monetary value results in the transaction falling within a higher classification of notifiable transaction, the listed issuer must announce this fact in accordance with the requirements of Chapter 16 as soon as reasonably practicable and comply with the additional requirements of such higher classification.
- (2) The listed issuer may, at the time of entering into the option, seek any shareholders' approval necessary for the exercise of the option (in addition to seeking any shareholders' approval necessary for the entering into of the option). Such approval, if obtained, will be sufficient for satisfying the shareholders' approval requirement of this Chapter, provided that the actual monetary value of the total consideration payable upon exercise and all other relevant information are known and disclosed to the shareholders at the time such approval is obtained and there has been no change in any relevant facts at the time of exercise.
- 19.77 If the grant or acquisition of an option has previously been announced pursuant to the requirements of this Chapter, the listed issuer must, as soon as reasonably practicable, upon:—
- (1) the expiry of the option;
 - (2) the option holder notifying the grantor that the option will not be exercised; or
 - (3) the transfer by the option holder of the option to a third party

(whichever is the earliest) announce such fact in accordance with the requirements of Chapter 16. If the listed issuer is the option holder, the transfer of the option will also be treated as a transaction and classified for the purpose of the percentage ratios. The consideration for the transfer of the option will be used for the purpose of classification.

Takeovers and mergers

Takeovers Code

19.78 Listed issuers and their directors must comply with the Takeovers Code. Any breach of the Takeovers Code will be deemed to be a breach of the GEM Listing Rules. The Exchange may penalise the listed issuer and/or its directors for breaches in accordance with the disciplinary powers contained in Chapter 3.

19.79 [Repealed 1 January 2011]

Listing document

19.80 If the consideration under the takeover offer includes securities for which listing is being or is to be sought, the offer document(s) will constitute a listing document. Provided that the offer document complies with the Takeovers Code, it need not comply with rule 14.09, save for the provisions of 14.09(1) and (3).

Contents of offer document

19.81 The offer document must normally contain:—

- (1) a statement whether or not the offeror intends to continue the listing of the listed issuer;
- (2) details of any agreement reached with the Exchange to ensure that the basic condition for listing set out in rule 11.23 will be complied with in respect of the listed issuer;
- (3) a prominent and legible statement in the following form:

“The Stock Exchange of Hong Kong Limited (the “Exchange”) has stated that if, at the close of the offer, less than the minimum prescribed percentage applicable to the listed issuer, being []% of the issued shares, are held by the public, or if the Exchange believes that:—

- a false market exists or may exist in the trading of the shares; or
- that there are insufficient shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the shares.

[[*The Offeror*] intends [*the listed issuer*] to remain listed on the Exchange. The directors of [*the Offeror*] and the new directors to be appointed to the Board of [*the listed issuer*] will jointly and severally undertake to the Exchange to take appropriate steps to ensure that sufficient public float exists in [*the listed issuer*]'s shares.]”

- (4) any other requirements imposed by the Exchange which are not inconsistent with the Takeovers Code.

Cash companies

- 19.82 Where for any reason (including immediately after completion of a notifiable transaction or connected transaction) the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. "Short-dated securities" means securities such as bonds, bills or notes which have less than 1 year to maturity.
- 19.83 A listed issuer which is solely or mainly engaged in the securities brokerage business will not be subject to rule 19.82.
- 19.84 The listed issuer may apply to the Exchange to lift the suspension once it has a business suitable for listing. The Exchange will treat its application for lifting of the suspension as if it were an application for listing from a new applicant. The listed issuer will be required, among other things, to appoint a Sponsor and issue a listing document containing the specific information required by Appendix I Part A and pay the non-refundable initial listing fee. The Exchange reserves the right to cancel the listing if such suspension continues for more than 6 months or in any other case where it considers it necessary. It is therefore advisable to consult the Exchange at the earliest possible opportunity in each case.

General

- 19.85 Listed issuers must complete and submit any checklist(s) in such form as may be prescribed by the Exchange from time to time in respect of any notifiable transaction.
- 19.86 Shareholders' approval is required for an acquisition that requires an accountants' report under this Chapter where the reporting accountants can only give a qualified opinion in the accountants' report in respect of the acquisition of the businesses or companies, for example, because of the absence of adequate records in relation to stock and work-in-progress. In such cases, the Exchange will not accept a written shareholders' approval for the transaction, but will require a general meeting to be held to consider the transaction.
- 19.87 A listed issuer may send to any shareholder the English language version only or the Chinese language version only of any circular required under this Chapter subject to compliance with rule 16.04B.

Material changes

- 19.88 A listed issuer shall not, during the period of 12 months from the date on which dealings in its securities commenced on GEM, enter into 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 when it first applied for listing.

Note: For this purpose, transactions subsequent to the listing will be aggregated as prescribed in rules 19.22 and 19.23.

- 19.89 The Exchange may grant a listed issuer a waiver of the requirements of rule 19.88:—
- (1) if it is satisfied that the circumstances surrounding the proposed fundamental change are exceptional; and

- (2) subject to the acquisition, disposal or other transaction or arrangement, or series of acquisitions, disposals or other transactions or arrangements, being approved by shareholders in general meeting by a resolution on which any controlling shareholder (or, where there are no controlling shareholders, any chief executive or directors (excluding independent non-executive directors) of the listed issuer) and their respective associates shall abstain from voting in favour. Any shareholders with a material interest in the transaction and their associates shall abstain from voting on resolution(s) approving such transaction at a general meeting called for the purpose of this rule. The listed issuer must disclose the information required under rule 2.28 in the circular to shareholders.

19.90 In respect of the shareholders' approval required under rule 19.89(2):

- (1) the Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolutions at the general meeting:
 - (a) any parties who were controlling shareholders at the time the decision for the transaction or arrangement was made or approved by the board, and their associates; or
 - (b) where there were no such controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the listed issuer at the time the decision for the transaction or arrangement was made or approved by the board, and their respective associates.

The listed issuer must disclose the information required under rule 2.28 in the circular to shareholders; and

- (2) the listed issuer must comply with rules 17.47(6) and (7) and rules 17.47A, 17.47B and 17.47C.

Restriction on disposal

- 19.91 A listed issuer may not dispose of its existing business for a period of 24 months after a change in control (as defined in the Takeovers Code) unless the assets acquired from the person or group of persons gaining such control or his/their associates and any other assets acquired by the listed issuer after such change in control can meet the requirement of rule 11.12A.
- 19.92 A disposal by a listed issuer which does not meet the requirement under rule 19.91 will result in the listed issuer being treated as a new listing applicant.

Chapter 20

EQUITY SECURITIES

CONNECTED TRANSACTIONS

Introduction

- 20.01 This Chapter applies to connected transactions entered into by a listed issuer or its subsidiaries. The connected transaction rules ensure that the interests of shareholders as a whole are taken into account by the listed issuer when the listed issuer's group enters into a connected transaction.
- 20.02 Connected transactions include both capital and revenue nature transactions. They may be one-off transactions or continuing transactions.
- 20.03 The general requirements for connected transactions include disclosures in announcements, circulars and annual reports, and shareholders' approval. Persons with material interests cannot vote on the resolution approving the transaction. Continuing connected transactions also require annual reviews by independent non-executive directors and the auditors.
- 20.04 To reduce listed issuers' compliance burden, exemptions and waivers from all or some of the connected transaction requirements are available for specific categories of connected transactions. These apply to connected transactions that are immaterial to the listed issuer's group, or specific circumstances where the risk of abuse by connected persons is low.
- 20.05 The rules in this Chapter are illustrated with diagrams. If there is any conflict between the rules and the diagrams, the rules prevail.

Definitions

- 20.06 In this Chapter, the following definitions apply:
- (1) a "**30%-controlled company**" means a company held by a person who can:
 - (a) exercise or control the exercise of 30% (or an amount for triggering a mandatory general offer under the Takeovers Code, or for PRC issuers only, an amount for triggering a mandatory general offer or establishing legal or management control over a business enterprise under the PRC law) or more of the voting power at general meetings; or
 - (b) control the composition of a majority of the board of directors;
 - (2) an "**associate**" has the meaning in rules 20.10 to 20.13;
 - (3) a "**banking company**" has the meaning in rule 20.86;
 - (4) a "**cap**" has the meaning in rule 20.51;
 - (5) a "**closely allied group of shareholders**" has the meaning in rule 19.45;

- (6) a “**commonly held entity**” has the meaning in rule 20.25;
- (7) a “**connected person**” has the meaning in rules 20.07 to 20.09;
- (8) a “**connected person at the issuer level**” includes:
 - (a) a director, chief executive or substantial shareholder of a listed issuer;
 - (b) a supervisor of a PRC issuer;
 - (c) a person who was a director of the listed issuer in the last 12 months; and
 - (d) an associate of any of the above persons;
- (9) a “**connected person at the subsidiary level**” means a person who is a connected person only because of the person’s connection with the listed issuer’s subsidiary or subsidiaries;
- (10) a “**connected subsidiary**” has the meaning in rule 20.14;
- (11) a “**connected transaction**” has the meaning in rules 20.21 to 20.28;
- (12) a “**continuing connected transaction**” has the meaning in rule 20.29;
- (13) a “**controller**” has the meaning in rule 20.26(1);
- (14) a “**deemed disposal**” has the meaning in rule 19.29;
- (15) a company “**directly held**” by an individual or an entity means that the individual or the entity has a direct ownership interest in the company;
- (16) a “**family member**” has the meaning in rule 20.10(2)(a);
- (17) “**financial assistance**” has the meaning in rule 20.22(4);
- (18) an “**immediate family member**” has the meaning in rule 20.10(1)(a);
- (19) a company “**indirectly held**” by an individual or an entity means that the individual or the entity has an indirect ownership interest in the company through (in the case of an individual) his majority controlled company or companies or (in the case of an entity) its subsidiary or subsidiaries;
- (20) an “**insignificant subsidiary**” or “**insignificant subsidiaries**” has the meaning in rule 20.08;
- (21) a “**listed issuer**” means a company or other legal person whose securities are listed;
- (22) a “**listed issuer’s group**” means a listed issuer and its subsidiaries, or any of them;

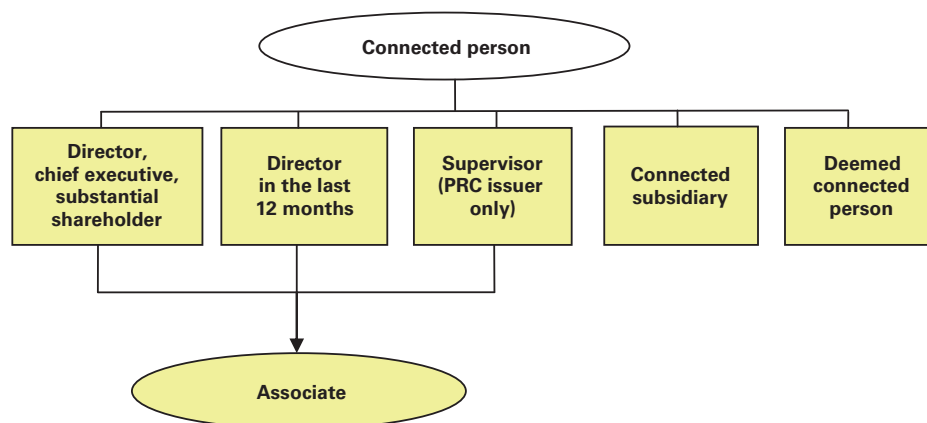
- (23) a “**majority-controlled company**” means a company held by a person who can exercise or control the exercise of more than 50% of the voting power at general meetings, or control the composition of a majority of the board of directors;
- (24) “**material interest**” in a transaction has the meaning in rules 2.26 and 2.27;
- (25) a “**monetary advantage**” has the meaning in rule 19.12;
- (26) “**normal commercial terms or better**” are terms which a party could obtain if the transaction were on an arm’s length basis or terms no less favourable to the listed issuer’s group than terms available to or from independent third parties;
- (27) an “**option**” and terms related to it (including “**exercise price**”, “**premium**” and “**expiration**”) have the meaning in rule 19.72;
- (28) “**ordinary and usual course of business**” of an entity means the entity’s existing principal activities or an activity wholly necessary for its principal activities;
- (29) a “**passive investor**” has the meaning in rule 20.98;
- (30) “**percentage ratios**” has the meaning in rule 19.04(9);
- (31) a “**PRC Governmental Body**” has the meaning in rule 25.04(2);
- (32) a “**profit forecast**” has the meaning in rule 19.61;
- (33) a “**qualified connected person**” means a connected person of the qualified issuer solely because he or it is a substantial shareholder (or its associate) in one or more of the qualified issuer’s non wholly-owned subsidiaries formed to participate in property projects, each of which is single purpose and project specific. This person may or may not have representation on the board of the subsidiary or subsidiaries;
- (34) a “**qualified issuer**” has the meaning in rule 19.04(10B);
- (35) a “**qualified property acquisition**” has the meaning in rule 19.04(10C);
- (36) a “**recognised stock exchange**” means a regulated, regularly operating, open stock market recognised for this purpose by the Exchange;
- (37) a “**relative**” has the meaning in rule 20.19(1)(a);
- (38) a “**transaction**” has the meaning in rule 20.22; and
- (39) “**trustees**” has the meaning in rule 20.10(1)(b) or 20.11(2).

Definition of connected person

20.07 A “connected person” is:

- (1) a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries;
- (2) a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months;
- (3) a supervisor of a PRC issuer or any of its subsidiaries;
- (4) an associate of any of the above persons;
- (5) a connected subsidiary; or
- (6) a person deemed to be connected by the Exchange.

Diagram 1



Exceptions

Persons connected with insignificant subsidiaries

20.08 Rules 20.07(1) to (3) do not include a director, chief executive, substantial shareholder or supervisor of the listed issuer’s insignificant subsidiary or subsidiaries. For this purpose:

- (1) an “insignificant subsidiary” is a subsidiary whose total assets, profits and revenue compared to that of the listed issuer’s group are less than:
 - (a) 10% under the percentage ratios for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary); or
 - (b) 5% under the percentage ratios for the latest financial year;
- (2) if the person is connected with two or more subsidiaries of the listed issuer, the Exchange will aggregate the subsidiaries’ total assets, profits and revenue to determine whether they are together “insignificant subsidiaries” of the listed issuer; and
- (3) when calculating the percentage ratios, 100% of the subsidiary’s total assets, profits and revenue will be used. If a percentage ratio produces an anomalous result, the Exchange may disregard the calculation and consider alternative test(s) provided by the listed issuer.

PRC Governmental Body

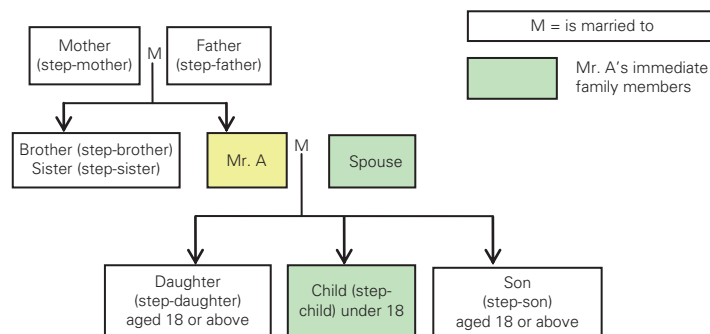
- 20.09 The Exchange will not normally treat a PRC Governmental Body as a connected person. The Exchange may request a listed issuer to explain its relationship with a PRC Governmental Body and why it should not be treated as a connected person. If the Exchange decides to treat the PRC Governmental Body as a connected person, the listed issuer must comply with any additional requirements requested by the Exchange.

Definition of associate

- 20.10 An “associate” of a connected person described in rule 20.07(1), (2) or (3) who is an individual includes:

- (1) (a) his spouse; his (or his spouse’s) child or step-child, natural or adopted, under the age of 18 years (each an “immediate family member”);

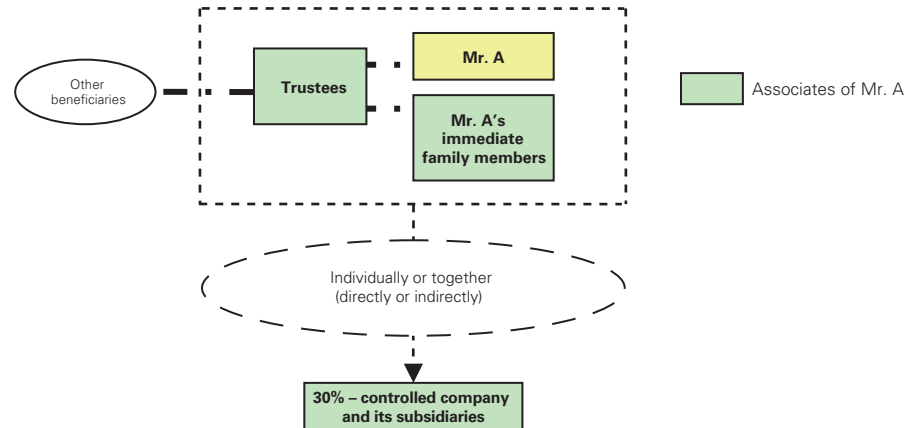
Diagram 2



- (b) the trustees, acting in their capacity as trustees of any trust of which the individual or his immediate family member is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object (other than a trust which is an employees’ share scheme or occupational pension scheme established for a wide scope of participants and the connected persons’ aggregate interests in the scheme are less than 30%) (the “trustees”); or

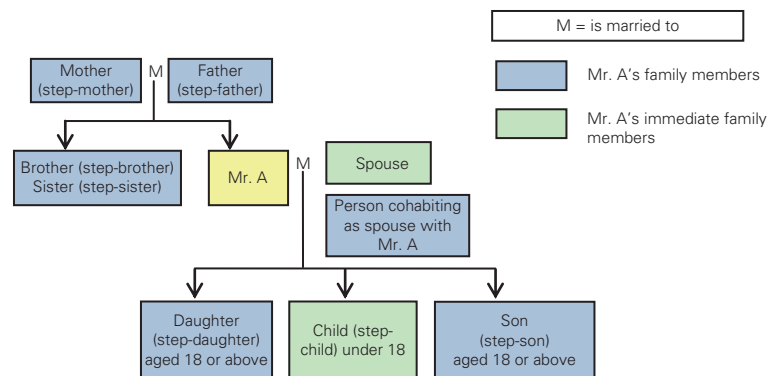
- (c) a 30%-controlled company held, directly or indirectly, by the individual, his immediate family members and/or the trustees (individually or together), or any of its subsidiaries; or

Diagram 3



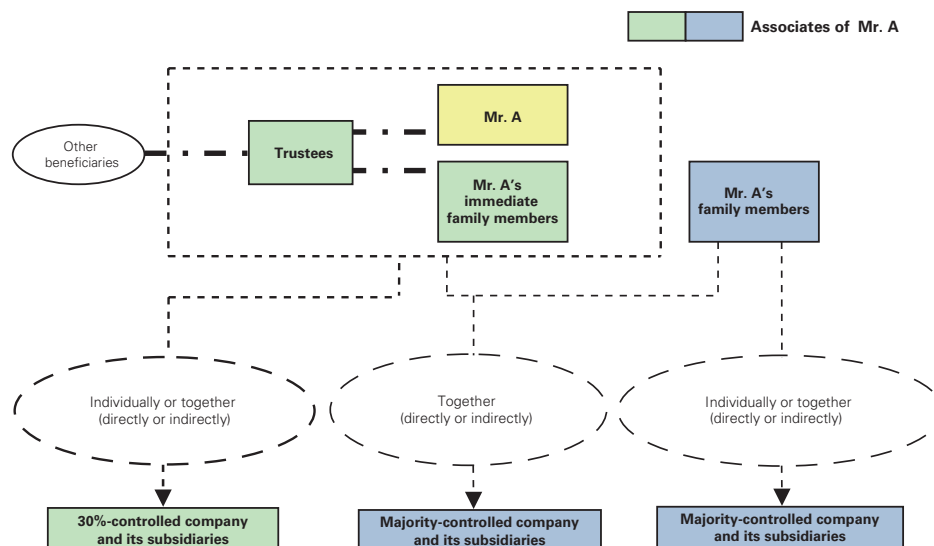
- (2) (a) a person cohabiting with him as a spouse, or his child, step-child, parent, step-parent, brother, step-brother, sister or step-sister (each a "family member"); or

Diagram 4



- (b) a majority-controlled company held, directly or indirectly, by the family members (individually or together), or held by the family members together with the individual, his immediate family members and/or the trustees, or any of its subsidiaries.

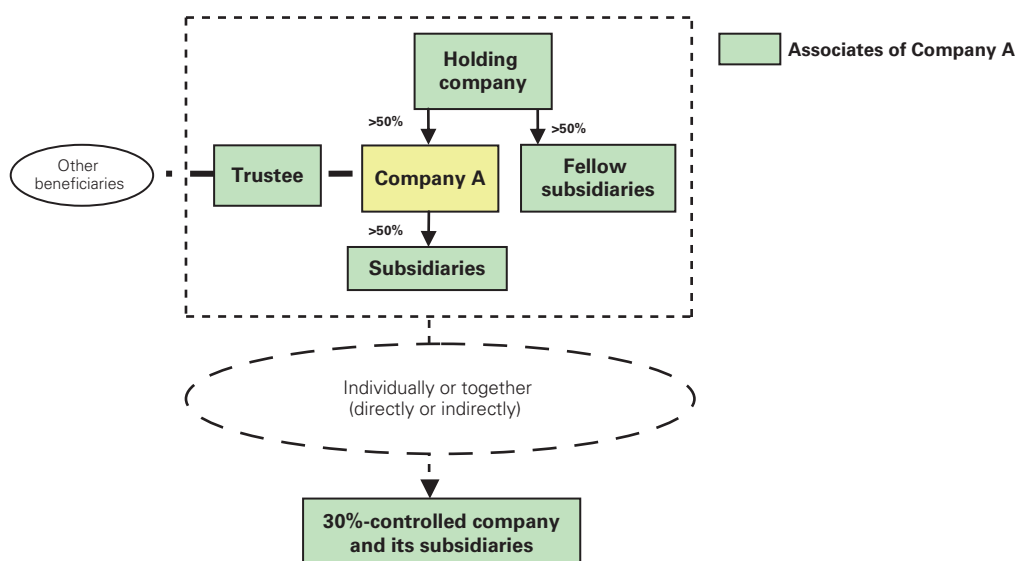
Diagram 5



20.11 An “associate” of a connected person described in rule 20.07(1), (2) or (3) which is a company includes:

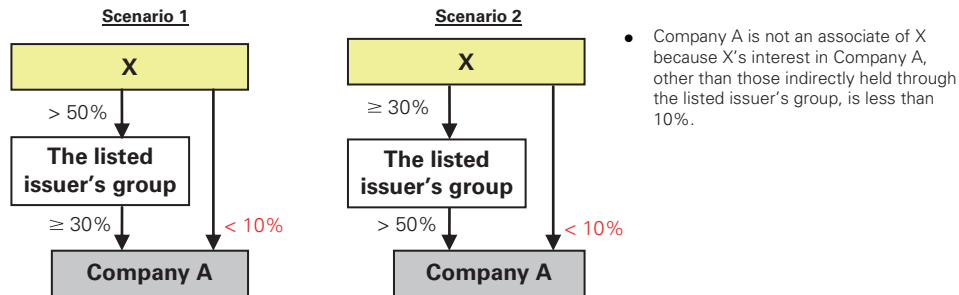
- (1) its subsidiary or holding company, or a fellow subsidiary of the holding company;
- (2) the trustees, acting in their capacity as trustees of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to its knowledge) a discretionary object (the “trustees”); or
- (3) a 30%-controlled company held, directly or indirectly, by the company, the companies referred to in (1) above, and/or the trustees (individually or together), or any of its subsidiaries.

Diagram 6



20.12 A 30%-controlled company held by a person will not be regarded as his or its associate if the person's and his or its associates' interests in the company, other than those indirectly held through the listed issuer's group, are together less than 10%.

Diagram 7



20.13 For PRC issuers only, a person's associates include any joint venture partner of a cooperative or contractual joint venture (whether or not it is a separate legal entity) where:

- (1) the person (being an individual), his immediate family members and/or the trustees; or
- (2) the person (being a company), any company which is its subsidiary or holding company or a fellow subsidiary of the holding company, and/or the trustees,

together directly or indirectly hold 30% (or an amount that would trigger a mandatory general offer or establish legal or management control over a business enterprise under the PRC law) or more in the joint venture's capital or assets contributions, or the contractual share of its profits or other income.

Diagram 8

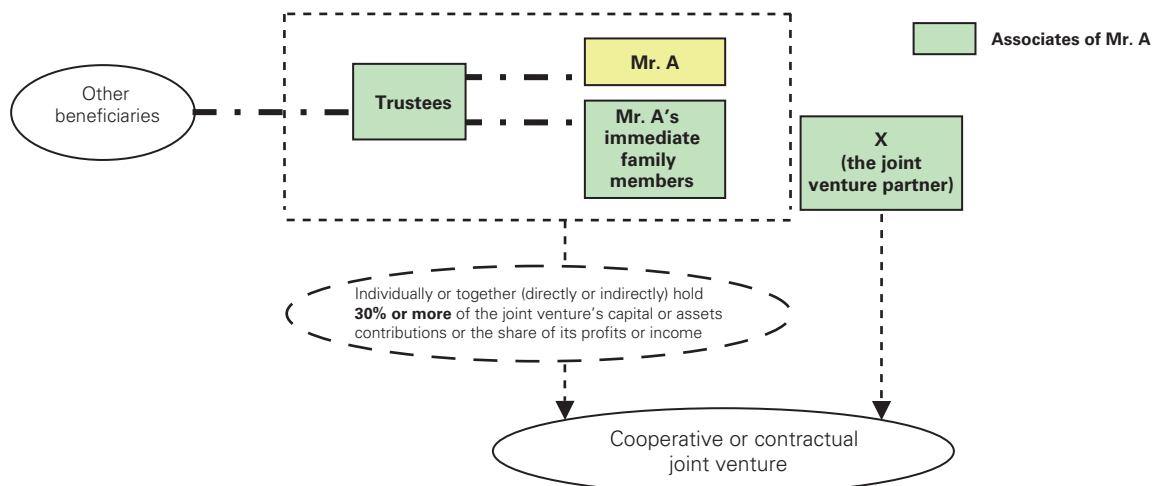
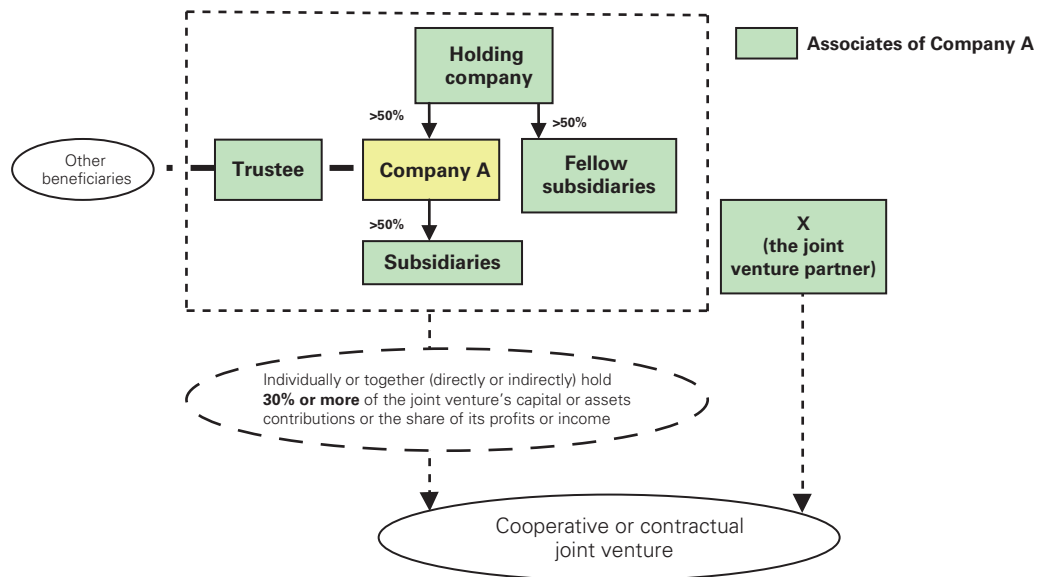


Diagram 9



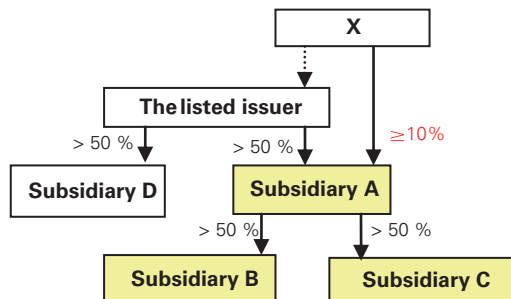
Definition of connected subsidiary

20.14 A "connected subsidiary" is:

- (1) a non wholly-owned subsidiary of the listed issuer where any connected person(s) at the issuer level, individually or together, can exercise or control the exercise of 10% or more of the voting power at the subsidiary's general meeting. This 10% excludes any indirect interest in the subsidiary which is held by the connected person(s) through the listed issuer; or
- (2) any subsidiary of a non wholly-owned subsidiary referred to in (1) above.

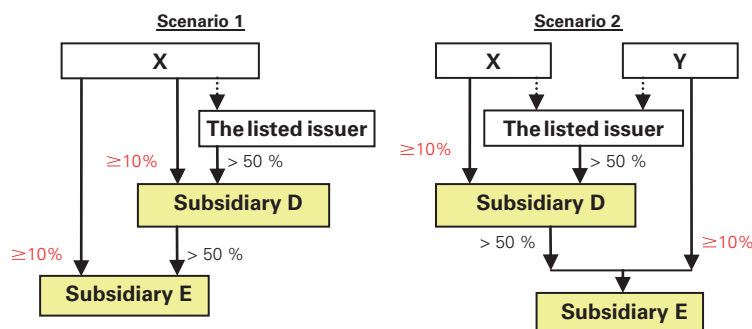
20.15 If a listed issuer's subsidiaries are connected persons only because they are the subsidiaries of a connected subsidiary, transactions between these subsidiaries will not be treated as connected transactions.

Diagram 10



- X is a connected person at the issuer level, and he or it has a 10% (or more) shareholding in Subsidiary A.
→ Subsidiary A is a connected subsidiary. (See rule 20.14(1))
- Subsidiaries B and C are subsidiaries of Subsidiary A.
→ Subsidiaries B and C are also connected subsidiaries. (See rule 20.14(2))
- Transactions between the listed issuer or Subsidiary D with Subsidiary A/B/C are connected transactions.
- Transactions between any of Subsidiaries A, B and C are not connected transactions if Subsidiaries B and C are connected solely because of their relationship with Subsidiary A. (See rule 20.15)

Diagram 11

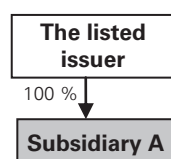


- X and Y are connected persons at the issuer level.
→ Subsidiaries D and E are connected subsidiaries.
- Subsidiary E is a subsidiary of Subsidiary D. However, the exemption in rule 20.15 does not apply to transactions between them because Subsidiary E is a connected subsidiary not only because of its relationship with Subsidiary D but also its relationship with X or Y.

20.16 A subsidiary of the listed issuer is not a connected person if:

- (1) it is directly or indirectly wholly-owned by the listed issuer; or

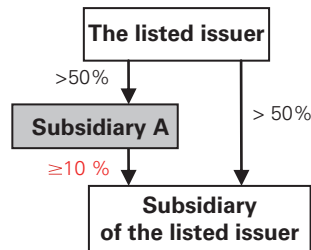
Diagram 12



(2) it falls under the definition of connected person only because it is:

(a) a substantial shareholder of another subsidiary of the listed issuer; or

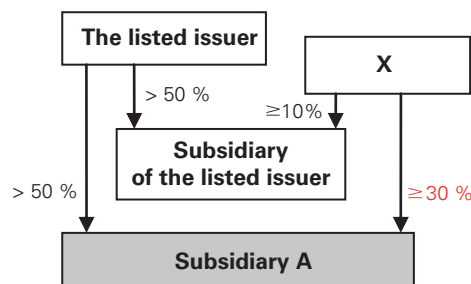
Diagram 13



- Subsidiary A is a substantial shareholder of another subsidiary of the listed issuer. However, this relationship will not make Subsidiary A a connected person of the listed issuer.

(b) an associate of a director (or a person who was in the past 12 months a director), a chief executive, a substantial shareholder or a supervisor of any subsidiary of the listed issuer.

Diagram 14



- X is a substantial shareholder of a subsidiary of the listed issuer.
- X holds 30% (or more) shareholding in Subsidiary A.
→ Subsidiary A is an associate of X. However, this relationship will not make Subsidiary A a connected person of the listed issuer because X is only a connected person at the subsidiary level.

Deemed connected persons

20.17 The Exchange has the power to deem any person to be a connected person.

20.18 A deemed connected person includes a person:

(1) who has entered, or proposes to enter, into:

(a) a transaction with the listed issuer's group; and

(b) an agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) with a connected person described in rule 20.07(1), (2) or (3) with respect to the transaction; and

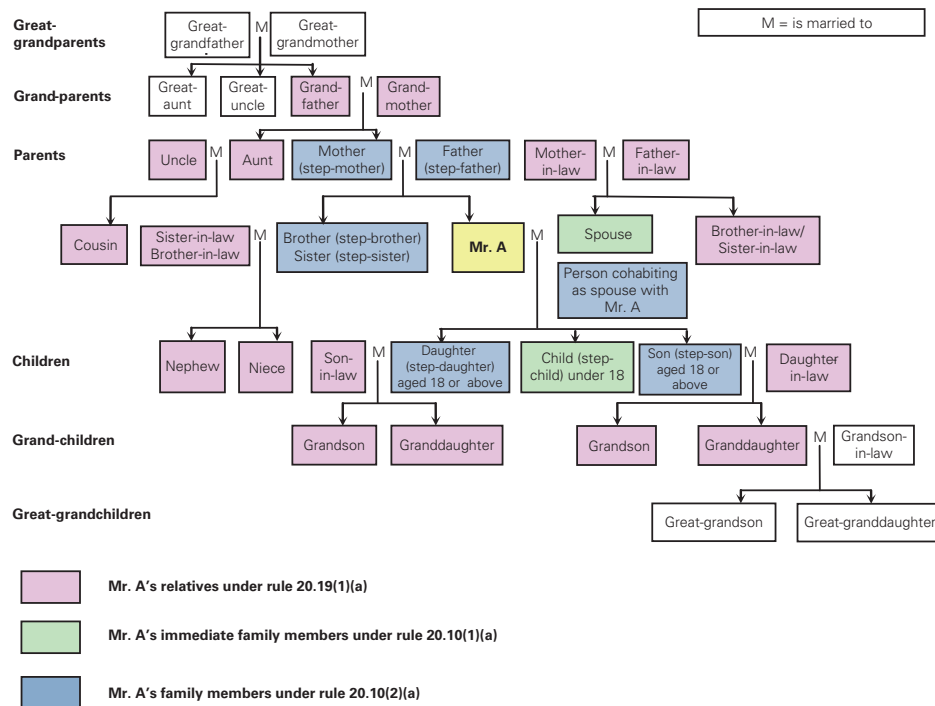
(2) who, in the Exchange's opinion, should be considered as a connected person.

20.19 A deemed connected person also includes a person:

(1) who is:

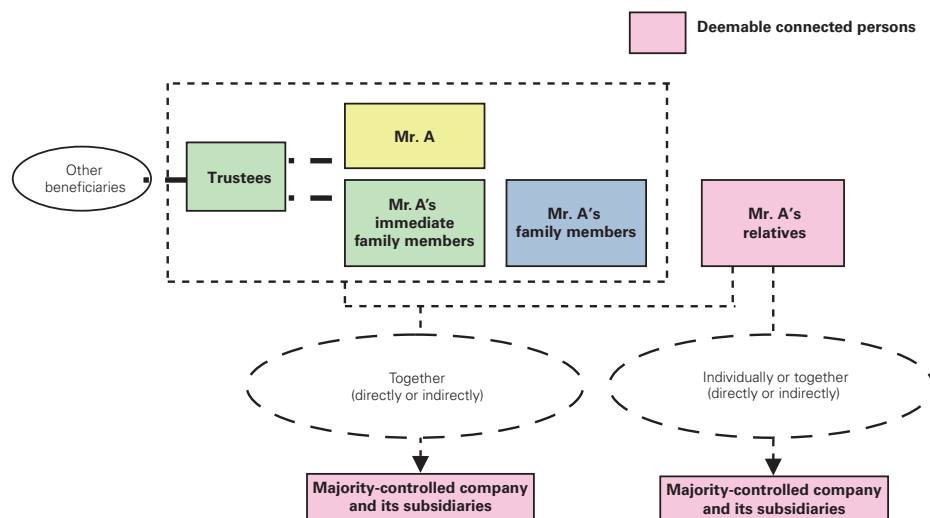
- (a) a father in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandparent, grandchild, uncle, aunt, cousin, nephew or niece (each a “relative”) of a connected person described in rule 20.07(1), (2) or (3); or

Diagram 15



- (b) a majority-controlled company held, directly or indirectly, by the relatives (individually or together) or held by the relatives together with the connected person as described in rule 20.07(1), (2) or (3), the trustees, his immediate family members and/or family members, or any subsidiary of that majority-controlled company; and

Diagram 16



- (2) whose association with the connected person is such that, in the Exchange's opinion, the proposed transaction should be subject to the connected transaction requirements.

- 20.20 The listed issuer must inform the Exchange of any proposed transaction with the person described in rule 20.18(1) or 20.19(1) unless it is exempt from all of the connected transaction requirements. It must provide information to the Exchange to demonstrate whether or not the transaction should be subject to connected transaction requirements.

What are connected transactions

- 20.21 Connected transactions are transactions with connected persons, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions. They may be one-off transactions or continuing transactions.

- 20.22 “Transactions” include both capital and revenue nature transactions, whether or not conducted in the ordinary and usual course of business of the listed issuer’s group. This includes the following types of transactions:

- (1) any acquisition or disposal of assets by a listed issuer’s group including a deemed disposal;
- (2) (a) a listed issuer’s group granting, accepting, exercising, transferring or terminating an option to acquire or dispose of assets or to subscribe for securities; or

Note: Terminating an option is not a transaction if it is made under the terms of the original agreement and the listed issuer’s group has no discretion over the termination.

- (b) a listed issuer’s group deciding not to exercise an option to acquire or dispose of assets or to subscribe for securities;
- (3) entering into or terminating finance leases or operating leases or sub-leases;
- (4) granting an indemnity or providing or receiving financial assistance. “Financial assistance” includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;
- (5) entering into an agreement or arrangement to set up a joint venture in any form (e.g. a partnership or a company), or any other form of joint arrangement;
- (6) issuing new securities of the listed issuer or its subsidiaries;
- (7) providing, receiving or sharing services; or
- (8) acquiring or providing raw materials, intermediate products and/or finished goods.

Transactions with connected persons

20.23 Any transaction between a listed issuer's group and a connected person is a connected transaction.

Transactions with third parties

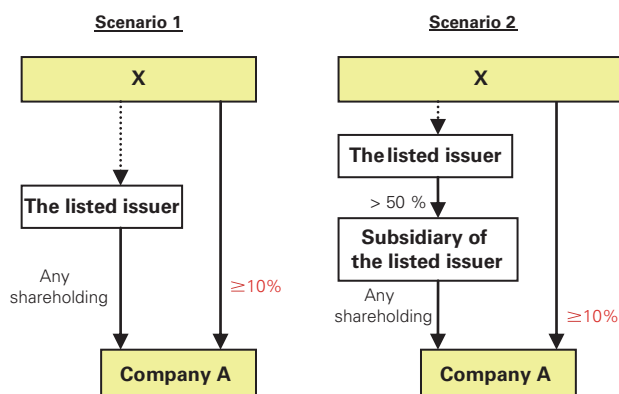
Financial assistance to or from commonly held entities

20.24 Financial assistance provided by a listed issuer's group to, or received by a listed issuer's group from, a commonly held entity is a connected transaction.

20.25 A "commonly held entity" is a company whose shareholders include:

- (1) a member of the listed issuer's group; and
- (2) any connected person(s) at the issuer level who, individually or together, can exercise or control the exercise of 10% or more of the voting power at the company's general meeting. This 10% excludes any indirect interest held by the person(s) through the listed issuer.

Diagram 17



- X is a connected person at the issuer level
- Both the listed issuer's group and X are shareholders of Company A, and X holds 10% (or more) of shareholding in Company A.
 - Company A is a commonly held entity.
 - Financial assistance provided by the listed issuer's group to, or received by the listed issuer's group from, Company A is a connected transaction.

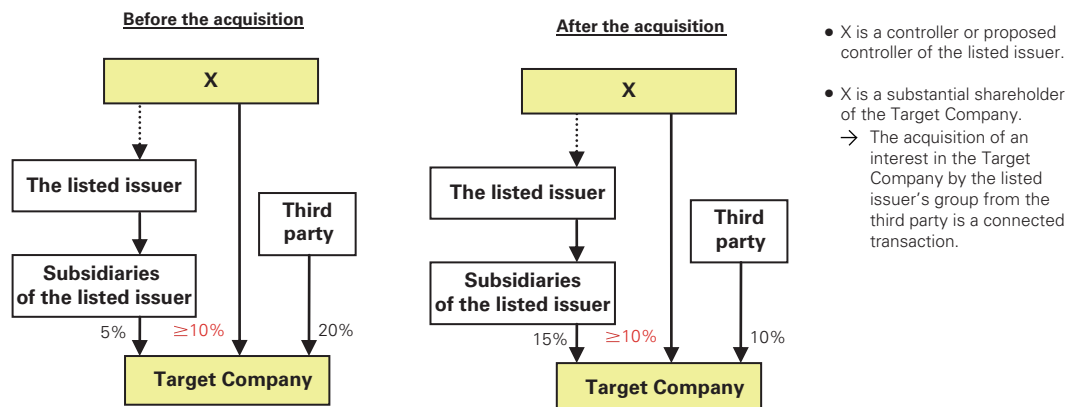
Other transactions with third parties

20.26 A listed issuer's group acquiring an interest in a company (the "target company") from a person who is not a connected person is a connected transaction if the target company's substantial shareholder:

- (1) is, or is proposed to be, a controller. A "controller" is a director, chief executive or controlling shareholder of the listed issuer; or
- (2) is, or will, as a result of the transaction, become, an associate of a controller or proposed controller.

Note: Acquiring the target company's assets is also a connected transaction if these assets account for 90% or more of the target company's net assets or total assets.

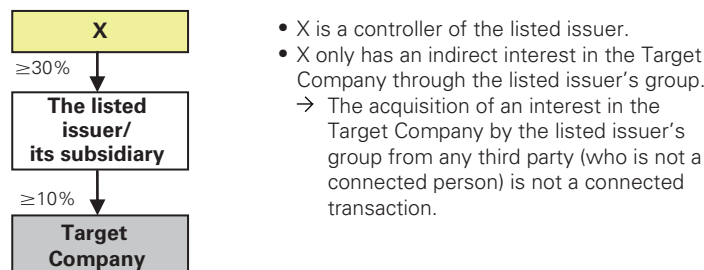
Diagram 18



20.27 The Exchange may aggregate the interests of the controller and his or its associates in the target company to decide whether they together are the target company's substantial shareholder.

20.28 Rule 20.26 does not apply to a listed issuer's proposed acquisition if the controller or his or its associate(s) is or are together the target company's substantial shareholders only because of their indirect shareholdings in the target company held through the listed issuer's group.

Diagram 19



Definition of continuing connected transaction

- 20.29 Continuing connected transactions are connected transactions involving the provision of goods or services or financial assistance, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. They are usually transactions in the ordinary and usual course of business of the listed issuer's group.

Requirements for connected transactions

- 20.30 This section sets out the requirements for connected transactions.
- 20.31 Exemptions or waivers from all or some of the requirements are available for specified categories of connected transactions. See rules 20.71 to 20.103.

Written agreement

- 20.32 The listed issuer's group must enter into a written agreement for a connected transaction.

Announcement

- 20.33 The listed issuer must announce the connected transaction as soon as practicable after its terms have been agreed. See rule 20.66 for the content requirements.

Note: If the connected transaction is subsequently terminated or there is any material variation of its terms or material delay in the completion, the listed issuer must announce this fact as soon as practicable. The listed issuer must also comply with all other applicable provisions under the Rules.

Shareholders' approval

- 20.34 The connected transaction must be conditional on shareholders' approval at a general meeting held by the listed issuer. Any shareholder who has a material interest in the transaction must abstain from voting on the resolution.
- 20.35 The Exchange may waive the general meeting requirement and accept a written shareholders' approval, subject to the conditions that:
- (1) no shareholder of the listed issuer is required to abstain from voting if a general meeting is held to approve the transaction; and
 - (2) the approval is given by a shareholder or a closely allied group of shareholders who (together) hold more than 50% of the voting rights in the general meeting.
- 20.36 If the listed issuer discloses inside information to any shareholder in confidence to solicit the written approval, it must ensure that the shareholder is aware that he must not deal in the securities before the information has been made available to the public.
- 20.37 If the connected transaction requires shareholders' approval, the listed issuer must (1) set up an independent board committee; and (2) appoint an independent financial adviser.

Independent board committee

- 20.38 The independent board committee must, taking into account the recommendation of an independent financial adviser, advise the listed issuer's shareholders:
- (1) whether the terms of the connected transaction are fair and reasonable;
 - (2) whether the connected transaction is on normal commercial terms or better and in the ordinary and usual course of business of the listed issuer's group;
 - (3) whether the connected transaction is in the interests of the listed issuer and its shareholders as a whole; and
 - (4) how to vote on the connected transaction.
- 20.39 The independent board committee must consist only of independent non-executive directors who do not have a material interest in the transaction.
- 20.40 If all the independent non-executive directors have a material interest in the transaction, an independent board committee will not be formed.
- 20.41 If an independent board committee is formed, the circular must include a letter from the independent board committee containing its opinion on the matters in rule 20.38 and its recommendation.

Independent financial adviser

- 20.42 The listed issuer must appoint an independent financial adviser acceptable to the Exchange to make recommendations to the independent board committee and shareholders on the matters in rules 20.43(1) to (4). The independent financial adviser will give its opinion based on the written agreement for the transaction.
- 20.43 The circular must include a letter from the independent financial adviser containing its opinion and recommendation. The independent financial adviser's letter must also set out the reasons for its opinion, the key assumptions made, the factors that it has taken into consideration in forming the opinion, and a statement whether:
- (1) the terms of the connected transaction are fair and reasonable;
 - (2) the connected transaction is on normal commercial terms or better and in the ordinary and usual course of business of the listed issuer's group;
 - (3) the connected transaction is in the interests of the listed issuer and its shareholders as a whole; and
 - (4) the shareholders should vote in favour of the connected transaction.

Circular

20.44 The listed issuer must send a circular to its shareholders:

- (1) at the same time or before the listed issuer gives notice of the general meeting if the connected transaction is to be approved by shareholders in a general meeting; or
- (2) if no general meeting is to be held, within 15 business days after publication of the announcement. The listed issuer may apply for a waiver from this requirement if it requires additional time to prepare the circular.

Note: See rules 20.67 and 20.68 for the content requirements.

20.45 If the listed issuer expects a delay in distribution of the circular by the date previously announced (see rule 20.66(11)), it must announce this fact, the reason for the delay and the new expected date of distribution of the circular as soon as practicable and in any event before the original despatch date.

Supplementary circular or announcement

20.46 If the listed issuer is aware of any material information relating to the connected transaction after it has issued the circular, it must publish this information in a supplementary circular or announcement at least 10 business days before the date of the general meeting to consider the transaction. The meeting must be adjourned by the chairman or, if that is not permitted by the listed issuer's constitutional documents, by resolution to that effect if it is necessary for the compliance with the 10 business day requirement. (See rule 17.46(2) for the factors that the listed issuer should consider when deciding whether to issue a supplementary circular or announcement.)

Annual reporting

20.47 The listed issuer must disclose its connected transactions conducted during the financial year in its annual report. See rules 20.69 and 20.70 for the content requirements.

Requirements for continuing connected transactions

20.48 The following additional requirements apply to a continuing connected transaction.

Terms of an agreement

20.49 A written agreement for a continuing connected transaction must contain the basis for calculating the payments to be made. Examples include sharing of costs incurred by the parties, unit prices for goods or services provided, annual rental for leasing a property, or management fees based on a percentage of the total construction cost.

20.50 The period for the agreement must be fixed and reflect normal commercial terms or better. It must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In this case, the listed issuer must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

Annual cap

20.51 The listed issuer must set an annual cap (the “cap”) for the continuing connected transaction. The cap must be:

- (1) expressed in monetary terms;
- (2) determined by reference to previous transactions and figures in the published information of the listed issuer’s group. If there were no previous transactions, the cap must be set based on reasonable assumptions; and
- (3) approved by shareholders if the transaction requires shareholders’ approval.

Changes to cap or terms of agreement

20.52 The listed issuer must re-comply with the announcement and shareholders’ approval requirements before:

- (1) the cap is exceeded; or
- (2) it proposes to renew the agreement or to effect a material change to its terms.

Note: The revised or new cap(s) will be used to calculate the percentage ratios for classifying the continuing connected transaction.

Annual review by independent non-executive directors and auditors

20.53 The listed issuer’s independent non-executive directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:

- (1) in the ordinary and usual course of business of the listed issuer’s group;
- (2) on normal commercial terms or better; and
- (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer’s shareholders as a whole.

20.54 The listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer’s board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

- (1) have not been approved by the listed issuer’s board of directors;
- (2) were not, in all material respects, in accordance with the pricing policies of the listed issuer’s group if the transactions involve the provision of goods or services by the listed issuer’s group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) have exceeded the cap.

- 20.55 The listed issuer must provide a copy of the auditors' letter to the Exchange at least 10 business days before the bulk printing of its annual report.
- 20.56 The listed issuer must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions.
- 20.57 The listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

When a continuing transaction subsequently becomes connected

- 20.58 If the listed issuer's group has entered into an agreement for a fixed period with fixed terms for:
- (1) a continuing transaction, and the transaction subsequently becomes a continuing connected transaction, or

Note: This includes a continuing transaction between the listed issuer's group and a connected person exempt under the "insignificant subsidiary exemption" (see rule 20.08), and the connected person subsequently cannot meet the conditions for the exemption.

- (2) a continuing connected transaction exempt under the "passive investor exemption" (see rules 20.97 and 20.98), and the transaction subsequently cannot meet the conditions for the exemption,

the listed issuer must:

- (a) as soon as practicable after becoming aware of this fact, comply with the annual review and disclosure requirements including publishing an announcement and annual reporting if the listed issuer's group continues to conduct the transaction under the agreement; and
- (b) when the agreement is renewed or its terms are varied, comply with all connected transaction requirements.

Other requirements relating to connected transactions

Options

- 20.59 If the listed issuer's group grants an option to a connected person and the listed issuer's group does not have discretion to exercise the option, the transaction is classified as if the option has been exercised (see rule 20.77(1)). In addition, the listed issuer must announce the following subsequent events as soon as practicable:
- (1) any exercise or transfer of the option by the option holder; and/or
- (2) (if the option is not, or is not to be, exercised in full), the option holder notifying the listed issuer's group that it will not exercise the option, or the expiry of the option, whichever is earlier.

Guaranteed profits or net tangible assets

- 20.60 The following apply if the listed issuer's group acquires a company or business from a connected person, and the connected person guarantees the profits or net tangible assets or other matters regarding the financial performance of the company or business.
- 20.61 If the actual performance fails to meet the guarantee, the listed issuer must disclose the following in an announcement and in its next annual report:
- (1) the shortfall and any adjustment in the consideration for the transaction;
 - (2) whether the connected person has fulfilled its obligations under the guarantee;
 - (3) whether the listed issuer's group has exercised any option to sell the company or business back to the connected person or other rights it held under the terms of the guarantee, and the reasons for its decision; and
 - (4) the independent non-executive directors' opinion on:
 - (a) whether the connected person has fulfilled its obligations; and
 - (b) whether the decision of the listed issuer's group to exercise or not to exercise any options or rights set out in rule 20.61(3) is fair and reasonable and in the interests of the shareholders as a whole.

When a proposed transaction becomes connected

- 20.62 If a connected transaction is also a notifiable transaction, the listed issuer must also comply with the requirements in Chapter 19.
- 20.63 If a listed issuer has entered into an agreement for a proposed transaction which is conditional on shareholders' approval in general meeting and the proposed transaction becomes a connected transaction before the shareholders' approval, the listed issuer must comply with the connected transaction requirements. Where a notice of meeting to approve the proposed transaction has been sent to shareholders, the listed issuer must issue a further announcement and a supplementary circular (see rule 20.46) to disclose that the transaction has become a connected transaction and the parties that are required to abstain from voting. The circular must also contain information required for a connected transaction circular.

Checklists

- 20.64 The listed issuer must complete and submit any checklists for connected transactions prescribed by the Exchange from time to time.

Content Requirements

20.65 This section sets out the information that a listed issuer must disclose in its announcements, circulars and annual reports.

Announcements

20.66 An announcement for a connected transaction must contain at least:

- (1) the information set out in rules 19.58 to 19.60 (contents of announcements for notifiable transactions);
- (2) the connected relationship between the parties to the transaction, and the connected person's interests in the transaction;
- (3) the independent non-executive directors' views on the matters set out in rules 20.38(1) to (3) if no shareholders' approval is required;
- (4) if the transaction is a continuing connected transaction, the basis for calculating the payments to be made (see rule 20.49) and the amount of its cap. If a circular is not required, the listed issuer must also disclose how it determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap;
- (5) if the transaction involves the listed issuer's group acquiring assets from a connected person, the original acquisition cost of the assets to the connected person;
- (6) if the transaction involves the listed issuer's group disposing of assets which it has held for 12 months or less, the original acquisition cost of the assets to the listed issuer's group;
- (7) if the announcement contains a profit forecast of the listed issuer's group or a company which is, or will become, the listed issuer's subsidiary, the information set out in rule 19.62 (requirements for profit forecast in notifiable transaction announcement);
- (8) if no circular is required, a statement whether any directors of the listed issuer have a material interest in the transaction and, if so, whether they have abstained from voting on the board resolution;
- (9) a statement that the transaction is subject to shareholders' approval, if applicable;
- (10) if the transaction is, or will be, approved by way of shareholders' written approval, details of the shareholders giving the approval (including their names and shareholdings in the listed issuer) and the relationship between the shareholders; and
- (11) if a circular is required, the expected date of distribution of the circular, and, if this is more than 15 business days after the publication of the announcement, the reasons why this is so.

Circulars

20.67 A circular for a connected transaction must:

- (1) provide a clear and adequate explanation of its subject matter and demonstrate the advantages and disadvantages of the transaction for the listed issuer's group;
- (2) where practicable, include a numerical evaluation;
- (3) contain all information necessary to allow the listed issuer's shareholders to make a properly informed decision; and
- (4) contain a heading drawing attention to the importance of the document and advising shareholders who are in any doubt to consult appropriate independent advisers on the appropriate course of action.

20.68 The circular must contain at least:

- (1) the Exchange's disclaimer statement (see rule 2.19) on its front cover or inside front cover;
- (2) the information required to be disclosed in the announcement for the transaction;
- (3) the identity and activities of the parties to the transaction and of their ultimate beneficial owner(s);
- (4) the name of the connected person concerned, his or its relationship with any controller and the name and office held by that controller;
- (5) if the transaction is a continuing connected transaction, how the listed issuer determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap;
- (6) a letter from each of the independent financial adviser and, if applicable, the independent board committee containing its opinion and recommendation on the transaction (see rules 20.41 and 20.43);
- (7) if the transaction involves the acquisition or disposal of any property interests or a company whose assets consist solely or mainly of property, a valuation and information on the property if required under rule 8.03;
- (8) if the primary significance of the asset (other than property interests) being acquired or disposed of is its capital value, an independent valuation of the asset;
- (9) if the transaction involves an acquisition or disposal of a company or business engaging in an infrastructure project, a business valuation report on that company or business and/or traffic study report on the project. The report(s) must clearly set out:
 - (a) all significant underlying assumptions including the discount rate or growth rate used; and
 - (b) a sensitivity analysis based on different discount rates and growth rates.

If the business valuation is based on a profit forecast, the accounting policies and calculations for the underlying forecasts must be examined and reported on by the auditors or reporting accountants. Any financial adviser mentioned in the circular must also report on the underlying forecasts.

- (10) if the transaction involves the listed issuer's group acquiring a company or business from a connected person, details of:
- (a) any guarantee of the profits or net tangible assets or other matters regarding the financial performance of the company or business provided by the connected person, and a statement by the listed issuer that it will comply with the disclosure requirements (see rule 20.61) if the actual performance fails to meet the guarantee; and
 - (b) any option granted to the listed issuer's group to sell the company or business back to the connected person and/or other rights given to the listed issuer's group;
- (11) a statement whether any directors of the listed issuer have a material interest in the transaction and, if so, whether they have abstained from voting on the board resolution;
- (12) a statement that any shareholder with a material interest in the transaction will not vote and the information required in rule 2.28;
- (13) the information set out in the following paragraphs of Appendix 1, Part B:
- 1 — listed issuer's name
 - 2 — directors' responsibility
 - 5 — expert statements
 - 10 — securities to be issued (if applicable)
 - 29(2) — requirements if there is a profit forecast
 - 32 — no material adverse change
 - 39 — directors' service contracts
 - 40 — directors' interests in assets
 - 42(2)(a) & (c) — documents on display
- (14) information regarding directors' and chief executive's interests in the listed issuer described in paragraphs 34, 38 and 38A of Appendix 1, Part B;
- (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
- (16) any additional information requested by the Exchange.

Annual reports

20.69 The listed issuer's annual report must contain the following information on the connected transactions conducted in that financial year (including continuing connected transactions under agreements signed in previous years):

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms;
- (5) the nature of the connected person's interest in the transaction; and
- (6) for continuing connected transactions,
 - (a) a confirmation from the listed issuer's independent non-executive directors on the matters set out in rule 20.53; and
 - (b) a statement from the listed issuer's board of directors whether the auditors have confirmed the matters set out in rule 20.54.

20.70 When the listed issuer discloses in its annual report information of any related party transaction under the accounting standards for preparing its financial statements, it must specify whether the transaction is a connected transaction under this Chapter and whether it has complied with the requirements in this Chapter.

Exemptions

20.71 Exemptions from the connected transaction requirements are available for the following types of transactions:

- (1) de minimis transactions (rule 20.74);
- (2) financial assistance (rules 20.85 to 20.89);
- (3) issues of new securities by the listed issuer or its subsidiary (rule 20.90);
- (4) dealings in securities on stock exchanges (rule 20.91);
- (5) repurchases of securities by the listed issuer or its subsidiary (rule 20.92);
- (6) directors' service contracts and insurance (rules 20.93 and 20.94);
- (7) buying or selling of consumer goods or services (rule 20.95);
- (8) sharing of administrative services (rule 20.96);
- (9) transactions with associates of passive investors (rules 20.97 and 20.98); and
- (10) transactions with connected persons at the subsidiary level (rule 20.99).

- 20.72 The exemptions are broadly divided into two categories: (1) fully exempt from shareholders' approval, annual review and all disclosure requirements; and (2) exempt from shareholders' approval requirement.
- 20.73 The Exchange has the power to specify that an exemption will not apply to a particular transaction.

De minimis transactions

- 20.74 This exemption applies to a connected transaction (other than an issue of new securities by the listed issuer) conducted on normal commercial terms or better as follows:
- (1) The transaction is fully exempt if all the percentage ratios (other than the profits ratio) are:
 - (a) less than 0.1%;
 - (b) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or
 - (c) less than 5% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is less than HK\$3,000,000.
 - (2) The transaction is exempt from the circular (including independent financial advice) and shareholders' approval requirements if all the percentage ratios (other than the profits ratio) are:
 - (a) less than 5%; or
 - (b) less than 25% and the total consideration (or in the case of any financial assistance, the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity) is less than HK\$10,000,000.

Percentage ratio calculations

- 20.75 The methods of percentage ratio calculations set out in Chapter 19 (notifiable transactions) also apply to connected transactions in this Chapter subject to the modifications described in rules 20.76 to 20.77.
- 20.76 For continuing connected transactions, the listed issuer must calculate the assets ratio, revenue ratio and consideration ratio using the cap as the numerator. If the agreement for the transaction covers over one year, the transaction will be classified based on the largest cap during the term of the agreement.

20.77 The following applies when calculating percentage ratios for connected transactions involving options:

- (1) if the listed issuer's group grants an option to a connected person and the listed issuer's group does not have discretion to exercise the option, it is classified as if the option has been exercised. The percentage ratios are calculated based on the consideration for the transaction (which includes the premium and the exercise price of the option), the value of the underlying assets, and the revenue attributable to the assets (See rule 20.59 for the disclosure requirement when the option holder exercises or transfers the option, or when the option expires);
- (2) if the listed issuer's group acquires or accepts an option granted by a connected person where the listed issuer's group has discretion to exercise the option, it is classified based on the amount of the premium payable by the listed issuer's group. However, if the premium represents 10% or more of the sum of the premium and the exercise price, the transaction will be classified as if the option has been exercised (see rule 20.77(1));
- (3) if the listed issuer's group exercises an option granted by a connected person, it is classified based on the exercise price, the value of the underlying assets, and the revenue attributable to the assets. If the option is exercised in stages, the Exchange may require aggregation of the transactions;
- (4) if the listed issuer's group transfers an option granted by a connected person to a third party, terminates the option or decides not to exercise the option:
 - (a) the listed issuer must classify the transaction as if the option has been exercised. The percentage ratios are calculated based on the exercise price, the value of the underlying assets, and the revenue attributable to the assets, and (if applicable) the consideration for transferring the option, or the amount receivable or payable by the listed issuer's group for terminating the option; or
 - (b) the Exchange may allow the listed issuer to disregard the percentage ratios calculated under paragraph (a) above and to classify the transaction using the asset and consideration ratios calculated based on the higher of:
 - (i) (for a put option held by the listed issuer's group) the exercise price over the value of the assets subject to the option, or (for a call option held by the listed issuer's group) the value of the assets subject to the option over the exercise price; and
 - (ii) the consideration or amount payable or receivable by the listed issuer's group.

These alternative tests would be allowed only if the assets' valuation is provided by an independent expert using generally acceptable methodologies, and the listed issuer's independent non-executive directors and an independent financial adviser have confirmed that the transfer, termination or non-exercise of the option is fair and reasonable and in the interests of the listed issuer and its shareholders as a whole. The listed issuer must announce the transfer, termination or non-exercise of the option with the views of the independent non-executive directors and the independent financial adviser; and

- (5) if the actual monetary value of the premium, the exercise price, the value of the underlying assets and the revenue attributable to the assets have not been determined when the listed issuer's group grants or acquires or accepts the option:
- (a) the listed issuer must demonstrate to the Exchange's satisfaction the highest possible monetary value for calculating the percentage ratios and classifying the transaction. If the listed issuer is unable to do so, it may be required to comply with all the connected transaction requirements for the transaction; and
 - (b) the listed issuer must inform the Exchange when the actual monetary value has been determined. If the transaction falls under a higher classification based on the actual monetary value, the listed issuer must as soon as reasonably practicable announce this fact and comply with the requirements applicable to the higher classification.

Note: The requirements in this rule are the same as the requirements applicable to options under Chapter 19 (notifiable transactions), except that

- 1. Under Chapter 19, the listed issuer may, at the time of the listed issuer's group acquiring or accepting an option granted by a third party, seek shareholders' approval for its exercise of the option in the future. This is not allowed under this Chapter.*
- 2. Under Chapter 19, transfer or termination of an option by the listed issuer's group is a transaction which is classified based on the consideration for transferring the option or the amount receivable or payable by the listed issuer's group for terminating the option. Under this Chapter, the transfer or termination is classified as if the option is exercised or based on the alternative tests set out in rule 20.77(4)(b).*
- 3. Under Chapter 19, non-exercise of an option is not a transaction. Under this Chapter, the non-exercise is classified as if the option is exercised or based on the alternative tests set out in rule 20.77(4)(b).*

Exception to percentage ratio calculations

- 20.78 If any percentage ratio produces an anomalous result or is inappropriate to the activity of the listed issuer, the Exchange may disregard the ratio and consider alternative test(s) provided by the listed issuer. The listed issuer must seek prior consent of the Exchange if it wishes to apply this rule.

Aggregation of transactions

- 20.79 The Exchange will aggregate a series of connected transactions and treat them as if they were one transaction if they were all entered into or completed within a 12-month period or are otherwise related. The listed issuer must comply with the applicable connected transaction requirements based on the classification of the connected transactions when aggregated. The aggregation period will cover 24 months if the connected transactions are a series of acquisitions of assets being aggregated which may constitute a reverse takeover.

- 20.80 Factors that the Exchange will consider for aggregation of a series of connected transactions include whether:
- (1) they are entered into by the listed issuer's group with the same party, or parties who are connected with one another;
 - (2) they involve the acquisition or disposal of parts of one asset, or securities or interests in a company or group of companies; or
 - (3) they together lead to substantial involvement by the listed issuer's group in a new business activity.
- 20.81 The Exchange may aggregate all continuing connected transactions with a connected person.
- 20.82 A listed issuer must consult the Exchange before the listed issuer's group enters into any connected transaction if:
- (1) the transaction and any other connected transactions entered into or completed by the listed issuer's group in the last 12 months fall under any of the circumstances described in rule 20.80; or
 - (2) the transaction and any other transactions entered into by the listed issuer's group involve the acquisition of assets from a person or group of persons or any of their associates within 24 months after the person(s) gain control (as defined in the Takeovers Code) of the listed issuer.
- 20.83 The listed issuer must provide information to the Exchange on whether it should aggregate the transactions.
- 20.84 The Exchange may aggregate a listed issuer's connected transactions even if the listed issuer has not consulted the Exchange.

Financial assistance

Financial assistance provided by the listed issuer's group

- 20.85 For any financial assistance provided by a banking company in its ordinary and usual course of business to a connected person or commonly held entity:
- (1) the transaction is fully exempt if it is conducted on normal commercial terms or better;
 - (2) the transaction is fully exempt if it is not conducted on normal commercial terms or better but all the percentage ratios (other than the profits ratio) are:
 - (a) less than 0.1%;
 - (b) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or
 - (c) less than 5% and the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity is less than HK\$3,000,000; or

- (3) the transaction is exempt from the circular, independent financial advice and shareholders' approval requirements if it is not conducted on normal commercial terms or better but all the percentage ratios (other than the profits ratio) are:

- (a) less than 5%; or
- (b) less than 25% and the total value of the financial assistance plus any monetary advantage to the connected person or commonly held entity is less than HK\$10,000,000.

20.86 A "banking company" is a listed issuer or its subsidiary which is a bank, a restricted licence bank or a deposit taking company as defined in the Banking Ordinance, or a bank constituted under appropriate overseas legislation or authority.

20.87 Financial assistance provided by a listed issuer's group to a connected person or commonly held entity is fully exempt if it is conducted:

- (1) on normal commercial terms or better; and
- (2) in proportion to the equity interest directly held by the listed issuer or its subsidiary in the connected person or the commonly held entity. Any guarantee given by the listed issuer's group must be on a several (and not a joint and several) basis.

Financial assistance received by the listed issuer's group

20.88 Financial assistance received by a listed issuer's group from a connected person or commonly held entity is fully exempt if:

- (1) it is conducted on normal commercial terms or better; and
- (2) it is not secured by the assets of the listed issuer's group.

The listed issuer's group providing an indemnity for a director

20.89 Providing an indemnity for a director of the listed issuer or its subsidiaries is fully exempt if:

- (1) the indemnity is for liabilities that may be incurred in the course of the director performing his duties; and
- (2) the indemnity is in a form permitted under the laws of Hong Kong and where the company providing the indemnity is incorporated outside Hong Kong, the laws of the company's place of incorporation.

Issues of new securities by the listed issuer or its subsidiary

20.90 An issue of new securities by a listed issuer or its subsidiary to a connected person is fully exempt if:

- (1) the connected person receives a pro rata entitlement to the issue as a shareholder;
- (2) the connected person subscribes for the securities in a rights issue or open offer:
 - (a) through excess application (see rule 10.31(1) or 10.42(1)); or
 - (b) in his or its capacity as an underwriter or sub-underwriter of the rights issue or open offer, and rule 10.31 or 10.42 (arrangements to dispose of any excess securities) has been complied with. In this case, the listing document must contain the terms and conditions of the underwriting arrangement;

Note: Any commission and fees payable by the listed issuer's group to the connected person for the underwriting arrangement are not exempt under this exemption.

- (3) the securities are issued to the connected person under:
 - (a) a share option scheme that complies with Chapter 23; or
 - (b) a share option scheme adopted by the listed issuer before its securities first start dealing on the Exchange, and where the Exchange has approved the listing of the securities to be issued under the scheme; or
- (4) the securities are issued under a "top-up placing and subscription" that meets the following conditions:
 - (a) the new securities are issued to the connected person:
 - (i) after it has reduced its holding in the same class of securities by placing them to third parties who are not its associates under a placing agreement; and
 - (ii) within 14 days from the date of the placing agreement;
 - (b) the number of new securities issued to the connected person does not exceed the number of securities placed by it; and
 - (c) the new securities are issued at a price not less than the placing price. The placing price may be adjusted for the expenses of the placing.

Note: An issue of new securities by a subsidiary of the listed issuer may be exempt as a de minimis transaction.

Dealings in securities on stock exchanges

20.91 Dealing in securities of a target company (i.e. a connected transaction described in rule 20.26) by the listed issuer's group is fully exempt if it meets the following conditions:

- (1) the dealing in the securities is conducted as part of the ordinary and usual course of business of the listed issuer's group;
- (2) the securities are listed on the Exchange or a recognised stock exchange;
- (3) the dealing is carried out on the Exchange or a recognised stock exchange, or if not, no consideration passes to or from a connected person; and
- (4) the transaction is not made for the purpose of conferring a direct or indirect benefit upon any connected person who is a substantial shareholder of the target company.

Repurchases of securities by the listed issuer or its subsidiary

20.92 Repurchases of own securities by a listed issuer or its subsidiary from a connected person is fully exempt if it is made:

- (1) on the Exchange or a recognised stock exchange, except where the connected person knowingly sells the securities to the listed issuer's group; or
- (2) in a general offer made under the Code on Share Buy-backs.

Directors' service contracts and insurance

20.93 A director entering into a service contract with the listed issuer or its subsidiary is fully exempt.

20.94 Purchase and maintenance of insurance for a director of the listed issuer or its subsidiaries against liabilities to third parties that may be incurred in the course of performing his duties are fully exempt if it is in the form permitted under the laws of Hong Kong and where the company purchasing the insurance is incorporated outside Hong Kong, the laws of the company's place of incorporation.

Buying or selling of consumer goods or services

20.95 A listed issuer's group buying consumer goods or services as a customer from, or selling consumer goods or services to, a connected person on normal commercial terms or better in its ordinary and usual course of business is fully exempt if it meets the following conditions:

- (1) the goods or services must be of a type ordinarily supplied for private use or consumption;
- (2) they must be for the buyer's own consumption or use, and not be:
 - (a) processed into the buyer's products, or for resale; or
 - (b) used by the buyer for any of its businesses or contemplated businesses. This condition does not apply if the listed issuer's group is the buyer and there is an open market and transparency in the pricing of the goods or services;

- (3) they must be consumed or used by the buyer in the same state as when they were bought; and
- (4) the transaction must be made on no more favourable terms to the connected person, or no less favourable terms to the listed issuer's group, than those available from independent third parties.

Note: Examples of consumer goods and services are:

- (1) *Meals consumed by a director at a restaurant owned by the listed issuer's group.*
- (2) *A director buying groceries for his own use at a retail store operated by the listed issuer's group.*
- (3) *Utilities provided by the listed issuer's group to a director's apartment.*
- (4) *Utilities provided by a connected person to the listed issuer's group where the prices are published or publicly quoted and apply to other independent consumers.*

Sharing of administrative services

20.96 Administrative services shared between the listed issuer's group and a connected person on a cost basis are fully exempt, provided that the costs are identifiable and are allocated to the parties involved on a fair and equitable basis.

Note: Examples of shared administrative services are shared secretarial, legal and staff training services.

Transactions with associates of passive investors

20.97 A connected transaction conducted between the listed issuer's group and an associate of a passive investor is fully exempt if it meets the following conditions:

- (1) the passive investor is a connected person only because it is a substantial shareholder of the listed issuer and/or any of its subsidiaries;
- (2) the passive investor
 - (a) is not a controlling shareholder of the listed issuer or its subsidiaries;
 - (b) does not have any representative on the board of directors of the listed issuer or its subsidiaries, and is not involved in the management of the listed issuer's group (including having any influence over the management of the listed issuer's group through negative control (e.g. its veto rights) on material matters of the listed issuer's group);
 - (c) is independent of the directors, chief executive, controlling shareholder(s) and any other substantial shareholder(s) of the listed issuer or its subsidiaries; and
- (3) the transaction is of a revenue nature in the ordinary and usual course of business of the listed issuer's group, and conducted on normal commercial terms or better.

20.98 A “passive investor” is a substantial shareholder of the listed issuer and/or any of its subsidiaries that:

- (1) is a sovereign fund, or a unit trust or mutual fund authorised by the Securities and Futures Commission or an appropriate overseas authority; and
- (2) has a wide spread of investments other than the securities of the listed issuer’s group and the associate that enters into the transaction with the listed issuer’s group.

Transactions with connected persons at the subsidiary level

20.99 A connected transaction between the listed issuer’s group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders’ approval requirements if:

- (1) the listed issuer’s board of directors have approved the transactions; and
- (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

Note: In the case of formation of a joint venture by a qualified issuer and a qualified connected person to make a qualified property acquisition, the qualified issuer must announce the transaction as soon as practicable after receiving notification of the success of the bid by the joint venture. If any details of the acquisitions or the joint venture required to be disclosed are not available when the qualified issuer publishes the initial announcement, it must publish subsequent announcement(s) to disclose the details as soon as practicable after they have been agreed or finalized.

Waivers

20.100 The Exchange may waive any requirements under this Chapter in individual cases, subject to any conditions that it may impose.

Transactions relating to non-executive directors

20.101 The Exchange may waive all or some of the connected transaction requirements for a connected transaction with a non-executive director of the listed issuer or its subsidiaries if:

- (1) the transaction is connected only because of the interest of a non-executive director; and
- (2) the director does not control the listed issuer’s group, and his principal business interest is not the listed issuer’s group.

Where a waiver is granted from the shareholders’ approval requirement under this rule, the Exchange may require the listed issuer’s auditor or an acceptable financial adviser to give the opinion that the transaction is fair and reasonable to the shareholders as a whole.

**Provision of guarantees to connected subsidiaries or commonly held entities
for public sector contracts awarded by tender**

20.102 The Exchange may waive all or some of the connected transaction requirements for a joint and several guarantee or indemnity provided by the listed issuer's group to a third party creditor for the obligations of a connected subsidiary or a commonly held entity if:

- (1) the guarantee or indemnity is required for a government or public sector contract awarded by tender;
- (2) each of the other shareholders of the connected subsidiary or commonly held entity has given a similar joint and several guarantee or indemnity to the third party creditor; and
- (3) each of the other shareholders of the connected subsidiary or commonly held entity has agreed to indemnify the listed issuer's group for the liability guaranteed, or indemnified at least in proportion to its equity interest in the subsidiary or entity. The listed issuer must satisfy the Exchange that such shareholder indemnity is sufficient.

Continuing connected transactions of new applicants

20.103 The Exchange may waive the announcement, circular and shareholders' approval requirements for continuing connected transactions entered into by a new applicant or its subsidiaries. The new applicant must disclose in the listing document its sponsor's opinion on whether the transactions are in the ordinary and usual course of business of the listed issuer's group, on normal commercial terms or better, are fair and reasonable and in the interests of the shareholders as a whole.

Chapter 21

EQUITY SECURITIES

OPTIONS, WARRANTS AND SIMILAR RIGHTS

21.01 This Chapter applies both to options, warrants and similar rights to subscribe or purchase equity securities of an issuer which are issued or granted by that issuer or by any of its subsidiaries (“warrants”) and to warrants which are attached to other securities but does not apply to any options which are granted under a share option scheme which complies with Chapter 23. Warrants which are attached to other securities but which are non-detachable are convertible securities and are also subject to the provisions of Chapters 22 (convertible equity securities) or 34 (convertible debt securities), as appropriate.

21.02 All warrants must, prior to the issue or grant thereof, be approved by the Exchange, and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting (unless they are issued by the directors under the authority of a general mandate granted to them by shareholders in accordance with rule 17.41(2)). In the absence of exceptional circumstances which would include, by way of example, a rescue reorganisation, the Exchange will only grant approval to the issue or grant of warrants to subscribe securities if the following requirements are complied with:—

- (1) the securities to be issued on exercise of the warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20 per cent of the number of issued shares of the issuer at the time such warrants are issued. Options granted under share option schemes which comply with Chapter 23 are excluded for the purpose of this limit.

The following are also excluded for the purpose of this limit:—

- (a) convertible preference shares (and any equity securities into which the same convert); and
 - (b) convertible bonds (and any equity securities into which the same convert);
- (2) such warrants must expire not less than 1 and not more than 5 years from the date of issue or grant and must not be convertible into further rights to subscribe securities which expire less than 1 year or more than 5 years after the date of issue or grant of the original warrants.

21.03 The circular or notice to be sent to shareholders convening the requisite meeting under rule 21.02 must include at least the following information:—

- (1) the maximum number of securities which could be issued on exercise of the warrants;
- (2) the period during which the warrants may be exercised and the date when this right commences;
- (3) the amount payable on the exercise of the warrants;
- (4) the arrangements for transfer or transmission of the warrants;
- (5) the rights of the holders on the liquidation of the issuer;

- (6) the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer;
- (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer; and
- (8) a summary of any other material terms of the warrants.

21.04 Where application is made for the listing of warrants, the Exchange will normally apply the same requirements as would apply to the underlying securities to be subscribed or purchased. However, where such an application is contemplated, the Exchange should be consulted at the earliest opportunity as to the requirements which will apply.

21.05 Warrants may be listed only if the underlying securities to be subscribed or purchased are (or will become at the same time) a class of equity securities listed on GEM.

However, the Exchange may list warrants in other circumstances if it is satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying securities to which such warrants relate.

**Issue of new warrants to existing warrantholders
and/or altering the terms of existing warrants**

21.06 Any alterations to the terms of warrants after issue or grant must be approved by the Exchange, except where the alterations take effect automatically under the terms of such warrants. In particular the Exchange should be consulted at the earliest opportunity where the issuer proposes to alter the exercise period or the exercise price.

21.07 Without prejudice to the generality of rule 21.06, where an issuer proposes to issue new warrants to existing warrantholders and/or alter the exercise period or the exercise price of existing warrants (save for any alterations that take effect automatically under the terms of such existing warrants) (defined for the purposes of this rule as the “warrant proposal”), the Exchange will not approve the warrant proposal unless the following requirements, in addition to those set out in rule 21.02(2) are met:—

- (1) the existing warrants must have a positive intrinsic value;
- (2) the number of new warrants offered to the holders of the existing warrants must not normally be larger than the number of existing warrants held by them;
- (3) the warrant proposal must be subject to the approval of shareholders and warrantholders in accordance with the provisions of the issuer’s constitutive documents and terms of the relevant warrant instrument respectively, and must be approved at such meetings by special resolution. The Exchange reserves the right to require that any connected person of the issuer who holds more than 10% of the outstanding existing warrants shall abstain from voting on the matter;
- (4) the approval of shareholders and warrantholders pursuant to sub-paragraph 3 above must be obtained more than 6 months prior to the expiry of the existing warrants;
- (5) the relevant circulars to shareholders and warrantholders must both contain the information set out in rule 21.03 concerning the warrants forming the subject matter of the warrant proposal and details of any dealings by the issuer, and, where relevant, the manager of the issue of the new warrants, or any of their respective close associates and any dealings by any core connected persons of the issuer (so far as is known to the issuer

or any director of the issuer after making reasonable enquiries) in the existing warrants and the underlying securities to which the warrants relate, during the period commencing 3 months prior to the announcement of the warrant proposal and ending on the date of the relevant circular. If such disclosure reveals that any such persons have been actually dealing in either the warrants or the underlying securities, the Exchange reserves the right not to approve the issue of the new warrants or the proposed alteration to the terms of the existing warrants;

- (6) the relevant circular to shareholders must contain an opinion by an independent financial adviser acceptable to the Exchange as to whether the warrant proposal is fair and reasonable so far as the shareholders of the issuer are concerned;
- (7) the application for the listing of the new warrants must be accompanied by a legal opinion, from a lawyer of the relevant jurisdiction, confirming that the warrant proposal complies with the relevant provisions of the issuer's constitutive documents and the terms of the existing warrant instrument; and
- (8) the warrant proposal may not be announced unless the issuer can fulfil all of the above conditions to the satisfaction of the Exchange, subject only to obtaining the approval of shareholders, warrant holders and the Exchange. Such announcement should be made as soon as possible after the Exchange has confirmed to the issuer that it is satisfied that the relevant requirements have been met.

Chapter 22

EQUITY SECURITIES

CONVERTIBLE EQUITY SECURITIES

22.01 All convertible equity securities which are issued or granted by an issuer or any of its subsidiaries and which are convertible into new equity securities or outstanding equity securities of the issuer or a company in the same group as the issuer including convertible preference shares (but excluding convertible bonds, to which the provisions of Chapter 34 apply) must, prior to the issue thereof, be approved by the Exchange. The Exchange should be consulted at the earliest opportunity as to the requirements which will apply.

22.02 Convertible equity securities may be listed only if the underlying securities are (or will become at the same time) a class of equity securities listed on GEM.

However, the Exchange may list convertible equity securities in other circumstances if it is satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying shares to which such convertible equity securities relate.

22.03 Any alterations in the terms of convertible equity securities after issue must be approved by the Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities.

22.04 Paragraph 19 of Part A and paragraph 21 of Part B of Appendix 1 set out additional requirements for the contents of listing documents relating to convertible equity securities.

Chapter 23

EQUITY SECURITIES

SHARE OPTION SCHEMES

Application of Chapter 23

- 23.01 (1) The following provisions apply, with appropriate modifications, to all schemes involving the grant by a listed issuer or any of its subsidiaries of options over new shares or other new securities of the listed issuer or any of its subsidiaries to, or for the benefit of, specified participants of such schemes (and, for the purpose of this Chapter, “participant” includes any discretionary object of a participant which is a discretionary trust). Any arrangement involving the grant of options to participants over new shares or other new securities of a listed issuer or any of its subsidiaries which, in the opinion of the Exchange, is analogous to a share option scheme as described in this rule 23.01 must comply with the requirements of this Chapter.
- (2) Where the shares or other securities of the listed issuer or the subsidiary concerned are also listed on another stock exchange or the Main Board, the more onerous requirements shall prevail and be applied in the event of a conflict or inconsistency between the requirements of this Chapter and the requirements of the other stock exchange or the Main Board.
- (3) The term “grant” includes “offer”, “issue” and any other term used by the scheme to describe the grant of options under it.
- (4) Where there are two or more listed issuers within a group, each of the listed issuers must comply with the provisions of this Chapter in respect of its schemes and the schemes of any of its subsidiaries (whether the subsidiary concerned is listed on the Exchange or not). In particular, where the provisions require the scheme or any related matters to be approved by shareholders/independent non-executive directors of a listed issuer whose holding company is also listed on the Exchange, such scheme or matters must simultaneously be approved by the shareholders/independent non-executive directors of such listed issuer’s holding company.

Adoption of a new scheme

- 23.02 (1) (a) The scheme of a listed issuer or any of its subsidiaries must be approved by shareholders of the listed issuer in general meeting. The listed issuer must publish an announcement on the outcome of the shareholders’ meeting for the adoption of the scheme 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 business day following such meeting, in accordance with the publication requirements in Chapter 16.
- (b) A scheme adopted by a new applicant does not need to be approved by its shareholders after listing. However, all the terms of the scheme must be clearly set out in the prospectus. Where the scheme does not comply with the provisions of this Chapter, options granted before listing may continue to be valid after listing (subject to the Exchange granting approval for listing of the new applicant’s securities to be issued upon exercise of such options) but no further options may be granted under the scheme after listing. The new applicant must also disclose in the prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

Notes: 1 The Exchange reserves the right to review and consider these matters on a case-by-case basis.

2 Where the new applicant is a subsidiary of a listed issuer, the scheme must be approved by shareholders of the listed issuer in general meeting. The terms of the scheme must comply with the provisions of this Chapter including, in particular, rule 23.03(9) (the basis of determination of the exercise price).

- (2) The scheme document itself does not need to be circulated to shareholders of the listed issuer. However, if the scheme document is not so circulated, it must be available for inspection at a place in Hong Kong for a period of not less than 14 days before the date of the general meeting and at the general meeting and the terms of the shareholders' resolution must approve the scheme as described in the summary circulated to the shareholders of the listed issuer. The circular must include the following information:
- (a) the provisions described in rule 23.03;
 - (b) an explanation as to how the terms of the scheme, in particular, how the provisions described in rules 23.03(6), (7) and (9), will serve the purpose of the scheme as set out in the scheme document;
 - (c) information relating to any directors of the listed issuer who are trustees of the scheme or have a direct or indirect interest in the trustees; and
 - (d) a statement in the form set out in paragraph 2 of Appendix 1, Part B.
- (3) Where the scheme involves options over listed securities, the listed issuer is encouraged to disclose in the circular the value of all options that can be granted under the scheme as if they had been granted at the latest practicable date prior to the approval of the scheme. Where the listed issuer considers that disclosure of the value of options is not appropriate, it must state the reason for such non-disclosure in the circular. The listed issuer should use the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options. The information described in (1), (2) and (4) in the Note to rule 23.08 should also be disclosed. The latest practicable date should be taken as the measurement date.
- (4) All circulars and announcements required under this Chapter must contain on the front cover or inside front cover of the circular or at the top of the announcement (as the case may be) a prominent and legible disclaimer in the following terms:
- "Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this [circular/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 [circular/announcement]."
- (5) The listed issuer must provide a summary of the terms of the scheme to all participants on joining the scheme (and a copy of the scheme document to any participant who requests such a copy). The listed issuer must provide to all participants all details relating to changes in the terms of the scheme during the life of the scheme immediately upon such changes taking effect.

Terms of the scheme

23.03 The scheme document must include the following provisions and/or provisions as to the following (as the case may be):—

- (1) the purpose of the scheme;
- (2) the participants of the scheme and the basis of determining the eligibility of participants;

Note: Listed issuers are reminded to seek legal advice on the prospectus requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, particularly where participation in the scheme is not restricted to executives and employees.

- (3) the total number of securities which may be issued upon exercise of all options to be granted under the scheme, together with the percentage of the issued shares that it represents at the date of approval of the scheme;

Notes: 1. The total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme. Options lapsed in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10% limit.

The listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10 per cent limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as “refreshed” must not exceed 10 per cent of the relevant class of securities in issue as at the date of approval of the limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed.” The listed issuer must send a circular to its shareholders containing the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4).

A listed issuer may seek separate approval by its shareholders in general meeting for granting options beyond the 10 per cent limit provided the options in excess of the limit are granted only to participants specifically identified by the listed issuer before such approval is sought. The listed issuer must send a circular to the shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose, the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4).

2. *The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded.*

3. *If the listed issuer (or the subsidiary) conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.*

- (4) the maximum entitlement of each participant under the scheme;

Note: Unless approved by shareholders in the manner set out in this Note to rule 23.03(4), the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the relevant class of securities of the listed issuer (or the subsidiary) in issue. Where any further grant of options to a participant would result in the securities issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the listed issuer in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The listed issuer must send a circular to the shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under rule 23.02(2)(d) and the disclaimer required under rule 23.02(4). The number and terms (including the exercise price) of options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note 1 to rule 23.03(9).

- (5) the period within which the securities must be taken up under the option, which must not be more than 10 years from the date of grant of the option;
- (6) the minimum period, if any, for which an option must be held before it can be exercised;
- (7) the performance targets, if any, that must be achieved before the options can be exercised or, if none, a negative statement to that effect;
- (8) the amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (9) the basis of determination of the exercise price;

Notes: 1 Subject to Note 2 to rule 23.03(9), the exercise price must be at least the higher of: (i) the closing price of the securities as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

2 *Note (1) to rule 23.03(9) does not apply to a share option scheme of a subsidiary of the listed issuer if the subsidiary's securities are not listed on the Exchange. However, the scheme must provide that the exercise price of options granted after the listed issuer has resolved to seek a separate listing of such subsidiary on the Exchange, the Main Board or an overseas stock exchange and up to the listing date of the subsidiary must be not lower than the new issue price (if any). In particular, any options granted during the period commencing six months before the lodgement of Form 5A (or its equivalent for listing on the Main Board or the overseas stock exchange) up to the listing date of the subsidiary are subject to this requirement. The scheme must therefore provide for any necessary adjustment of the exercise price of options granted during such period to not lower than the new issue price.*

- (10) the voting, dividend, transfer and other rights, including those arising on a liquidation of the listed issuer, attaching to the securities and (if appropriate) any such rights attaching to the options themselves;
- (11) the life of the scheme, which must not be more than 10 years;
- (12) the circumstances under which options will automatically lapse;
- (13) a provision for adjustment of the exercise price or the number of securities subject to options already granted and to the scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital;

Note: Any adjustments required under rule 23.03(13) must give a participant the same proportion of the equity capital as that to which that person was previously entitled, but no such adjustments may be made to the extent that a share would be issued at less than its nominal value (if any). The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the listed issuer's auditors must confirm to the directors in writing that the adjustments satisfy the requirements set out in this note.

- (14) a provision for the cancellation of options granted but not exercised;

Note: Where a listed issuer cancels options and issues new ones to the same option holder, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by shareholders as mentioned in Note 1 to rule 23.03(3).

- (15) unless the securities subject to the scheme are identical with other securities, a provision that they must be separately designated;
- (16) where there is a provision for termination of the operation of the scheme before the end of its life, a provision for the treatment of options granted under the scheme but not yet exercised at the time of termination;

Note: Details of the options granted, including options exercised or outstanding, under the scheme and (if applicable) options that become void or non-exercisable as a result of the termination must be disclosed in the circular to shareholders seeking approval of the first new scheme to be established after such termination.

- (17) transferability of options; and

Note: Options granted under the scheme must be personal to the respective grantee. No options may be transferred or assigned.

- (18) the specific terms of the scheme that can be changed by directors or scheme administrators without the approval of shareholders of the listed issuer in general meeting.

Notes: 1 The provisions relating to the matters set out in this rule 23.03 cannot be altered to the advantage of participants without the prior approval of shareholders of the listed issuer in general meeting.

2 Any alterations to the terms and conditions of a share option scheme of a listed issuer or any of its subsidiaries which are of a material nature or any change to the terms of options granted must be approved by the shareholders of the listed issuer, except where the alterations take effect automatically under the existing terms of the scheme.

3 The amended terms of the scheme or the options must still comply with the relevant requirements of this Chapter 23.

4 Any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the scheme must be approved by shareholders of the listed issuer in general meeting.

Granting options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates

- 23.04 (1) In addition to the shareholders' approval set out in Note 1 to rule 23.03(3) and the Note to rule 23.03(4), each grant of options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this rule 23.04(1). Each grant of options to any of these persons must be approved by the independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by shareholders of the listed issuer. The listed issuer must send a circular to the shareholders. The grantee, his associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting.

(2) Listed issuers must comply with the requirements set out in rules 17.47A, 17.47B and 17.47C.

(3) The circular must contain:

- (a) details of the number and terms (including the exercise price) of the options to be granted to each participant, which must be fixed before the shareholders' meeting and the date of the board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price under Note 1 to rule 23.03(9);

Note: The description of the terms of the options must include the information required under rules 23.03(5) to 23.03(10).

- (b) a recommendation from the independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options) to the independent shareholders as to voting;

- (c) the information required under rules 23.02(2)(c) and (d) and the disclaimer required under rule 23.02(4); and

- (d) the information required under rule 2.28.

Notes: 1 Shareholders' approval as required under rule 23.04(1) is also required for any change in the terms of options granted to a participant who is a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates.

2 The requirements for the granting of options to a director or chief executive of a listed issuer set out in rules 23.04(1), (2) and (3) do not apply where the participant is only a proposed director or chief executive of the listed issuer.

Restriction on the time of grant of options

23.05 An issuer may not grant any options after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of:

- (1) the date of the board meeting (as such date is first notified to the Exchange under rule 17.48) for approving the issuer's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
- (2) the deadline for the issuer to announce its results for any year, half year or quarter-year period under rule 18.49, 18.78 or 18.79 or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

Note: No option may be granted during any period of delay in publishing a results announcement.

Despatch of circular

- 23.06 The circular required under this Chapter should be despatched to the shareholders no later than the date on which the listed issuer gives notice of the general meeting to approve the scheme or related matters as required under this Chapter.

Announcement on grant of options

- 23.06A As soon as possible upon the granting by the listed issuer of an option under the scheme, the listed issuer must publish an announcement in accordance with the requirements of Chapter 16 setting out the following details:

- (1) date of grant;
- (2) exercise price of options granted;
- (3) number of options granted;
- (4) market price of its securities on the date of grant;
- (5) where any of the grantees is a director, chief executive or substantial shareholder of the listed issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and
- (6) validity period of the options.

Disclosure requirements

- 23.07 In relation to each scheme of a listed issuer or any of its subsidiaries, the listed issuer must disclose in its annual report and half-year report the following information in relation to: (i) each of the directors, chief executive or substantial shareholders of the listed issuer, or their respective associates; (ii) each participant with options granted in excess of the individual limit; (iii) aggregate figures for employees working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance; (iv) aggregate figures for suppliers of goods or services; and (v) all other participants as an aggregate whole:—

- (1) particulars of outstanding options at the beginning and at the end of the financial year/period, including number of options, date of grant, vesting period, exercise period and exercise price;
- (2) particulars of options granted during the financial year/period, including number of options, date of grant, vesting period, exercise period and exercise price and (for options over listed securities) the closing price of the securities immediately before the date on which the options were granted;
- (3) the number of options exercised during the financial year/period with the exercise price and (for options over listed securities) the weighted average closing price of the securities immediately before the date on which the options were exercised;
- (4) the number of options cancelled during the financial year/period together with the exercise price of the cancelled options; and
- (5) the number of options which lapsed in accordance with the terms of the scheme during the financial year/period.

- 23.08 In respect of options granted during the financial year/period over listed securities, the listed issuer is encouraged to disclose in its annual report and half-year report the value of options granted to participants set out in (i) to (v) of rule 23.07 during the financial year/period, and the accounting policy adopted for the share options. Where the listed issuer considers that disclosure of value of options granted during the financial year/period is not appropriate, it must state the reason for such non-disclosure in its annual report or half-year report.

Note: In respect of the disclosure of the value of options in annual report or half-year report, the listed issuer should use the Black-Scholes options pricing model, the binomial model or a comparable generally accepted methodology to calculate the value of options. The listed issuer should also disclose, in the annual report or half-year report, the following information:

- (1) a description of the model and significant assumptions used to estimate the value of the option, taking into account factors such as risk-free interest rate, expected life, expected volatility and expected dividend, if applicable;
 - (i) Where the calculation of the value is referable to a risk-free interest rate, such rate should be the rate prevailing on debt securities issued by the state, such as the Exchange Fund Notes in the case of Hong Kong based entities.
 - (ii) The listed issuer should set out the expected volatility used in calculating the value, with an explanation of any deviations from the historical volatility of the securities. The listed issuer may choose the period of time that it considers appropriate for calculating such historical volatility. However, such period may not be less than one year or, where securities have been listed for less than one year from the date of commencement of dealings in such securities, such period is to be from the date of commencement of such dealings to the date of the calculation.
 - (iii) Expected dividends should be based on historical dividends, with an explanation of any adjustments made for publicly available information indicating that future performance is reasonably expected to differ from past performance.
- (2) the measurement date which should be the date on which the options were granted;
- (3) the treatment of forfeiture prior to the expiry date; and
- (4) a warning statement with regard to the subjectivity and uncertainty of the values of options to the effect that such values are subject to a number of assumptions and with regard to the limitation of the model.

- 23.09 The listed issuer must include in its annual report a summary of each share option scheme approved by its shareholders setting out:

- (1) the purpose of the scheme;
- (2) the participants of the scheme;
- (3) the total number of securities available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report;
- (4) the maximum entitlement of each participant under the scheme;

- (5) the period within which the securities must be taken up under an option;
- (6) the minimum period, if any, for which an option must be held before it can be exercised;
- (7) the amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
- (8) the basis of determining the exercise price; and
- (9) the remaining life of the scheme.

Transitional arrangements

23.10 The following transitional provisions apply to existing share option schemes of a listed issuer or a new applicant, which were approved by shareholders of the listed issuer or the new applicant and adopted before 1 October 2001:

- (1) if the listed issuer or the new applicant wishes to continue to grant options under its existing schemes on or after 1 October 2001 (or in the case of the new applicant, after listing), it must comply with the requirements of this Chapter 23. The disclosure requirements in the annual report and half-year report under rules 23.07, 23.08 and 23.09 of this Chapter 23 will apply to the financial year/period ending on or after 1 October 2001; and
- (2) if the listed issuer or the new applicant wishes to change the terms of any of its existing schemes or implement a new scheme in accordance with the requirements of this Chapter 23 on or after 1 October 2001, it must first ensure that all its existing schemes comply with the requirements of this Chapter 23. The listed issuer or new applicant cannot grant any further options under its existing schemes which do not comply with the requirements of this Chapter 23.

Note: The Exchange may allow a listed issuer to grant options under the terms of its existing share option schemes on or after 1 October 2001 if the listed issuer is able to demonstrate to the satisfaction of the Exchange that such options are granted to a participant pursuant to a contractual commitment given by the listed issuer to such participant before 27 July 2001.

23.11 Listed issuers must comply with the terms of their share option schemes in addition to the requirements of this Chapter 23. A breach of any such terms or requirements will constitute a breach of the GEM Listing Rules.

Chapter 24

EQUITY SECURITIES

OVERSEAS ISSUERS

Preliminary

- 24.01 Rule 11.05 provides that an issuer can be incorporated or otherwise established under the laws of the PRC, Bermuda or the Cayman Islands (as an alternative to Hong Kong). Chapter 25 concerns PRC companies. This Chapter concerns companies incorporated or otherwise established in Bermuda, the Cayman Islands or any jurisdiction, other than Hong Kong or the PRC, accepted by the Exchange from time to time as being a suitable jurisdiction for the incorporation or establishment of an issuer proposing to list on GEM.
- 24.02 The GEM Listing Rules apply as much to overseas issuers as they do to Hong Kong issuers, subject to the additional requirements, modifications or exemptions set out or referred to in this Chapter. Overseas issuers are encouraged to contact the Exchange if they envisage any difficulties in complying fully with the relevant requirements.
- 24.03 In circumstances where the overseas issuer is or is to be listed on another stock exchange as well as on GEM, the provisions of the GEM Listing Rules, unless otherwise stated, apply in their entirety, save for any additional requirements, modifications or exemptions set out in this Chapter (or elsewhere in the GEM Listing Rules). The Exchange reserves the right, on a case by case basis, to waive or modify any requirement of the GEM Listing Rules relating to an overseas issuer if it is or is to be listed on another regulated, regularly operating, open stock exchange in respect of which the standards of protection for shareholders and investors are at least equivalent to those afforded pursuant to the GEM Listing Rules.
- 24.04 Any references in the GEM Listing Rules to directors of the issuer shall be construed as references to members of the overseas issuer's governing body.

Chapter 11 – Qualifications for Listing

- 24.05 The following requirements apply in addition to those set out in Chapter 11:—
- (1) the Exchange reserves the right, in its absolute discretion, to refuse a listing of securities of an overseas issuer if:—
 - (a) it believes that it is not in the public interest to list them; or
 - (b) the Exchange is not satisfied that the overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of protection for shareholders and investors are at least equivalent to those provided in Hong Kong;

Note: Where the Exchange believes that the jurisdiction in which the overseas issuer is incorporated is unable to provide standards of protection for shareholders and investors at least equivalent to those provided in Hong Kong, but that it is possible by means of varying the overseas issuer's constitutive documents to provide standards of protection equivalent to those provided in Hong Kong, then the Exchange may approve the listing of securities of the overseas issuer subject to the overseas issuer making such variations to its constitutive documents as the Exchange may require.

- (2) the overseas issuer must appoint, and maintain throughout the period the overseas issuer's securities are listed on GEM the appointment of, a person authorised to accept service of process and notices on its behalf in Hong Kong, and must notify the Exchange of his appointment and any termination of his appointment and details of:—
- (a) his address for service of process and notices;
 - (b) if different, his place of business or, if he does not maintain a place of business, his residential address;
 - (c) his business, residential and mobile telephone numbers;
 - (d) his facsimile number and electronic mail address, if any; and
 - (e) any change in the above particulars;

Note: The person appointed under this rule may also be the person authorised to accept service required to be appointed under Part 16 of the Companies Ordinance, if applicable.

- (3) provision must be made for a register of holders to be maintained in Hong Kong, or such other place as the Exchange may agree, and for transfers to be registered locally. The Exchange may, however, consider an alternative proposal for registering transfers for Hong Kong holders in exceptional circumstances;
- (4) unless the Exchange otherwise agrees only securities registered on the Hong Kong register may be traded on GEM;
- (5) where two or more share registers are maintained it will not be necessary for the Hong Kong register to contain particulars of the shares registered on any other register;
- (6) where an overseas issuer wishes to obtain its listing on the Exchange by way of an introduction in the circumstances set out in rule 10.18(3):—
- (a) it must comply with the following additional requirements:—
 - (i) provide the Exchange with details of the relevant regulatory provisions (statutory or otherwise) in its place of incorporation or other establishment and demonstrate to the satisfaction of the Exchange that the standards of protection for shareholders and investors provided by that jurisdiction are not lower than those pertaining in Hong Kong; and
 - (ii) with the exception of those overseas issuers which are incorporated or otherwise established in any jurisdiction in respect of which additional requirements are set out in Appendix 11, if requested to do so by the Exchange, appoint an independent financial adviser acceptable to the Exchange to confirm that the proposals are in the interests of the holders of the securities of the existing listed company or companies;
 - (b) in addition the issuer must comply with such other requirements as the Exchange may on a case by case basis impose, in order to ensure that Hong Kong investors will be afforded the same level of protection as exists in Hong Kong in relation to the holding of securities in a Hong Kong issuer. The additional requirements currently imposed by the Exchange in respect of certain jurisdictions are set out in Appendix 11. The Exchange may add to or waive, modify or not require compliance with these requirements on a case by case basis; and

- (c) attention is particularly drawn to the requirement in rule 10.18(3) that any reorganisation by way of scheme of arrangement or by any other means whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed Hong Kong issuers and the listing of the latter issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed, must first be approved by a special resolution of the shareholders of the listed Hong Kong issuer or issuers.

Chapter 12- Application Procedures and Requirements

24.06 The following modifications apply to the requirements of Chapter 12:—

- (1) [Repealed 1 October 2013]
- (2) the declaration, undertaking and acknowledgement to be lodged under rule 12.26(9) may require adjustment by virtue of the laws to which the overseas issuer is subject.

Chapter 13 – Restrictions on Purchase

24.07 An overseas issuer may purchase its own shares (as defined in rule 13.06) on GEM in accordance with rule 13.03. With regard to rule 13.14 concerning the status of shares purchased by an issuer, where the overseas issuer in question has a listing on another stock exchange the rules of (or laws in relation to) which permit treasury stock, the Exchange will be prepared to waive the requirement to cancel and destroy the documents of title of purchased shares, provided that the overseas issuer must apply for the relisting of any such shares which are re-issued, as if it were a new issue of those shares.

Chapter 14 – Listing Documents

24.08 The Exchange may be prepared to permit the omission from the listing document of information where it considers it appropriate. In considering requests for any such omissions, the Exchange will have regard to:—

- (1) whether the overseas issuer is or is to be listed on a regulated, regularly operating, open stock market recognised for this purpose by the Exchange and conducts its business and makes disclosure according to the accepted standards in Hong Kong; and
- (2) the nature and extent of the regulatory standards and controls to which the overseas issuer is subject in its country of incorporation or other establishment.

Overseas issuers who want to omit any of the prescribed information should therefore consult the Exchange at the earliest possible opportunity.

24.09 The following modifications and additional requirements apply:—

- (1) some of the items of information specified in Parts A and B of Appendix 1 may be inappropriate. In such a case, the item should be appropriately adapted so that equivalent information is given;

- (2) the listing document must contain a summary of all provisions of the constitutive documents of the overseas issuer in so far as they may affect shareholders' rights and protections and directors' powers (using the same subject headings as is required by Section 2 of Appendix 11 in respect of certain named jurisdictions). In the case of an overseas issuer which is incorporated or otherwise established in a jurisdiction in respect of which additional requirements are set out in Appendix 11 and which is applying for listing by way of an introduction in the circumstances set out in rule 10.18(3), the summary need only be included in the documents offered for inspection (see Appendix 11);
- (3) the listing document must contain a summary of the relevant regulatory provisions (statutory or otherwise) of the jurisdiction in which the overseas issuer is incorporated or otherwise established in a form to be agreed upon by the Exchange on a case by case basis and in the Exchange's absolute discretion. In the case of an overseas issuer which is incorporated or otherwise established in a jurisdiction in respect of which additional requirements are set out in Appendix 11 and which is applying for listing by way of an introduction in the circumstances set out in rule 10.18(3), the summary need only be included in the documents offered for inspection (see Appendix 11);
- (4) if the overseas issuer does not have a board of directors, the statement of responsibility required under paragraph 2 of Parts A and B of Appendix 1 must be made by all the members of the overseas issuer's equivalent governing body and the listing document should be modified appropriately;
- (5) for an introduction in the circumstances in rule 10.18(3), the following modifications, exceptions and additional requirements apply:—
- (a) the listing document must contain (but without in any way limiting the scope of the summary required by rule 24.09(2)) a comparison between the provisions of the listed Hong Kong issuer's existing articles of association and the proposed content of the constitutive documents of the overseas issuer (in the same format as is set out in Section 2 of Appendix 11 in respect of certain named jurisdictions). In the case of an overseas issuer which is incorporated or otherwise established in a jurisdiction in respect of which additional requirements are set out in Appendix 11, the summary need only be included in the documents offered for inspection (see Appendix 11);
 - (b) the details of the rights of shareholders required by paragraph 25 of Part A of Appendix 1 may be limited to a summary of any changes which will occur, if any, as a result of the exchange of securities;
 - (c) the particulars of any alterations in the capital of any member of the group which is required to be included by paragraph 26 of Part A of Appendix 1 may be limited to particulars of any alterations since the date to which the latest published audited accounts of the Hong Kong listed issuer were made up;
 - (d) where the consolidated assets and liabilities of the issuer are substantially the same as those of the issuer or issuers whose securities have been exchanged, the requirement for a valuation and other information on all the issuer's property interests (see paragraph 50A of Part A of Appendix 1 and Chapter 8) will normally only be required by the Exchange if:—
 - (i) the Hong Kong listed issuer does not have a policy of revaluing its properties (or a large part of its property portfolio) on an annual basis;

- (ii) the Hong Kong listed issuer has not published a revaluation of its property interests in the last 12 months; and
- (iii) the overseas issuer is unwilling to revalue its property interests in its next annual report and accounts.

In determining whether property valuations are required in such cases the Exchange will have regard to the following factors:—

- (A) the percentage of the book value of the total assets of the Hong Kong listed issuer (as disclosed in the latest published audited accounts or consolidated accounts, as appropriate) represented by the properties;
 - (B) the date on which the properties were last valued; and
 - (C) whether the properties are held for the Hong Kong listed issuer's own use or purely for investment purposes; and
- (e) any valuations required to be included by paragraph 50A of Part A of Appendix 1 and Chapter 8 (as modified by rule 24.09(5)(d)) need only be summarised in the listing document, if a copy of the full valuation report is offered for inspection;
- (6) the documents to be offered for inspection will be the documents corresponding to those mentioned in paragraph 52 of Part A and paragraph 42 of Part B of Appendix 1. Where any of such documents are not in English or Chinese, a certified English or Chinese translation thereof must be available for inspection. In addition, where rule 24.09(3) applies, the overseas issuer must offer for inspection a copy of any statutes or regulations which are relevant to the summary of the regulatory provisions of the jurisdiction in which the overseas issuer is incorporated or otherwise established. In particular cases, the Exchange may require other additional documents to be offered for inspection; and
- (7) overseas issuers which are subject to public reporting and filing obligations in their country of incorporation or other establishment (or listing, if different) may be permitted to incorporate in listing documents relevant documents so published. Such documents must be accompanied, as necessary, by a certified English translation and a certified Chinese translation. The Exchange should be consulted in any such case.

24.09A Rules 24.09(2) and (3) do not apply to listing documents issued by listed issuers unless they are issued in connection with an introduction or a deemed new listing under the GEM Listing Rules.

Chapters 17 and 18 -Continuing Obligations and Financial Information

General

- 24.10 Whilst Chapters 17 and 18 apply equally to overseas issuers, the Exchange may be prepared to agree to such modifications thereto as it considers appropriate in a particular case.
- 24.11 Conversely, the Exchange may impose additional requirements in a particular case. In particular, the Exchange may impose such additional requirements as it considers necessary to ensure that shareholders and investors have the same protection as that afforded to them in Hong Kong. The additional requirements currently imposed by the Exchange in respect of certain jurisdictions are set out in Appendix 11. The Exchange may add to or waive, modify or not require compliance with, these requirements on a case by case basis in its absolute discretion.

Annual report and accounts and auditors' report

- 24.12 The following modifications and additional requirements apply to Chapter 18 and to the extent such modifications and additional requirements conflict with the provisions of Chapter 18, the following provisions shall apply.

- 24.13 The annual accounts must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and must be:-
- (1) qualified under the Professional Accountants Ordinance for appointment as an auditor of a company; or
 - (2) a firm of accountants acceptable to the Exchange which has an international name and reputation and is a member of a recognised body of accountants.
- 24.14 The accounts must be audited to a standard comparable to that required by the Hong Kong Institute of Certified Public Accountants or by the International Auditing and Assurance Standards Board of the International Federation of Accountants.
- 24.15 The report of the auditors must be annexed to all copies of the annual accounts required to be sent by the overseas issuer and indicate whether in the opinion of the auditors the accounts give a true and fair view:
- (1) in the case of the issuer's balance sheet, of the state of its affairs at the end of the financial year and in the case of the issuer's profit and loss account, of the profit or loss and cash flows for the financial year; and
 - (2) in the case where consolidated accounts are prepared, of the state of affairs and profit or loss of the issuer and cash flows of the group.
- 24.16 The report of the auditors must indicate the act, ordinance or other legislation in accordance with which the annual accounts have been drawn up and the authority or body whose auditing standards have been applied.
- 24.17 If an overseas issuer is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, the Exchange may allow its accounts to be drawn up to that standard. Reference must, however, be made to the Exchange. If an overseas issuer is in doubt as to what more detailed and, or additional information should be provided, it should contact the Exchange for guidance.
- 24.18 An auditors' report in a different form may be applicable in the case of banking and insurance companies. The wording of such an auditors' report should make it clear whether or not profits have been stated before transfers to or from undisclosed reserves.

Information to accompany annual report and accounts

- 24.19 An overseas issuer shall include in its directors' report and accounts the information necessary to enable holders of its securities to obtain any relief from taxation to which they are entitled by reason of their holding of such securities.
- 24.20 An overseas issuer shall include in its directors' report and accounts those additional disclosures required of Hong Kong incorporated companies under the provisions of the Companies Ordinance and subsidiary legislations set out in rule 18.07A.
- 24.21 The statement of reserves available for distribution to shareholders required pursuant to rule 18.37 shall be calculated in accordance with any statutory provisions applicable in the overseas issuer's place of incorporation or, in the absence of such provisions, with generally accepted accounting principles.

Half-year reports and quarterly reports

- 24.22 If the overseas issuer publishes a 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 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.

General

- 24.23 All documents furnished by an overseas issuer to the Exchange, including accounts, which are in a language other than English or Chinese must be accompanied by a certified English or Chinese translation. If the Exchange so requires, an additional translation must be prepared in Hong Kong at the overseas issuer's expense by such person or persons as the Exchange shall specify.
- 24.24 Information to be supplied by overseas issuers in a listing document or accounts notwithstanding any obligation in the GEM Listing Rules, the Statutory Rules or any obligation imposed by the laws of Hong Kong shall not be less than that required to be supplied by the overseas issuer in its place of incorporation or other establishment.

Chapter 25

EQUITY SECURITIES

ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

Preliminary

- 25.01 (1) Overseas issuers incorporated in the common law jurisdictions of Bermuda and Cayman Islands may list on GEM provided that certain additional requirements set out or referred to in Chapter 24 are fulfilled. The legal system in the PRC is not based on a common law system. Furthermore, existing PRC law imposes various restrictions affecting the use of foreign exchange in the PRC and its remittance out of the PRC. Under current PRC law, only PRC citizens and legal persons are permitted to own the domestic shares (內資股) of a PRC issuer (which pay dividends in Renminbi), and only foreign investors and investors from the regions of Hong Kong, Macau and Taiwan are permitted to own the overseas listed foreign shares (境外上市外資股) of a PRC issuer (which pay dividends in a foreign currency). As a result, although under PRC law such domestic shares and foreign shares are all shares of a PRC issuer, the two kinds of shares in effect operate in separate markets subject to different investor demands.
- (2) To deal with the different markets in which a PRC issuer's shares may be traded as well as with the non-common law basis of the PRC legal system, certain additional requirements, modifications and exceptions to the GEM Listing Rules are necessary in order for a PRC issuer to obtain and to maintain a listing of its securities on GEM.
- (3) The purpose of this Chapter is to clarify that the GEM Listing Rules apply as much to PRC issuers as they do to Hong Kong and other overseas issuers, subject to the additional requirements, modifications and exceptions set out or referred to in this Chapter. Among such requirements are that (a) PRC issuers are expected to present their annual accounts in accordance with HKFRS, IFRS or CASBE; (b) the articles of association of PRC issuers must contain provisions which will reflect the different nature of domestic shares and overseas listed foreign shares (including H shares) and the different rights of their respective holders; and (c) disputes involving holders of H shares and arising from a PRC issuer's articles of association, or from any rights or obligations conferred or imposed by the Company Law and any other relevant laws and regulations concerning the affairs of the PRC issuer, are to be settled by arbitration in either Hong Kong or the PRC at the election of the claimant.
- (4) However, if changes in PRC law or market practices materially alter the validity or accuracy of any of the foregoing statements, then the Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer subject to special conditions as the Exchange considers appropriate. Whether or not any such changes in PRC law or market practices occur, the Exchange retains its general power to impose additional requirements and make special conditions under rule 2.07.
- 25.02 In circumstances where the PRC issuer is or is to be listed on another stock exchange as well as on GEM, the provisions of the GEM Listing Rules, unless otherwise stated, apply in their entirety, save for any additional requirements, modifications and exceptions set out in this Chapter (or elsewhere in the GEM Listing Rules). The Exchange reserves the right, on a case by case basis, to waive or modify any requirement of the GEM Listing Rules relating to a PRC issuer if it is or is to be listed on another regulated, regularly operating, open stock exchange in respect of which the standards of protection for shareholders and investors are at least equivalent to those afforded pursuant to the GEM Listing Rules.

25.03 The Exchange will consider an application by a PRC issuer for listing on GEM under this Chapter only if:—

- (1) it is duly incorporated in the PRC as a joint stock limited company (股份有限公司);
- (2) the Exchange is satisfied that there are adequate communication and cooperation arrangements in place between the Exchange and the relevant securities regulatory authorities in the PRC;
- (3) in the case of a PRC issuer having equity securities listed or to be listed on another stock exchange, the Exchange is satisfied that there is adequate communication arrangement in place between the Exchange and such other stock exchange authority; and
- (4) the Exchange is satisfied that applicable PRC law and the articles of association of the PRC issuer provide a sufficient level of shareholder protection to holders of H shares.

Definitions

25.04 In this Chapter

- (1) the term “close associate” means:—
 - (a) in relation to an individual means:—
 - (i) his spouse;
 - (ii) any child or step-child, natural or adopted, under the age of 18 years of the individual or of his spouse (together with (a)(i) above, the “family interests”);
 - (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object;
 - (iv) [Repealed 3 June 2010]
 - (v) any company (including an equity joint venture established under PRC law) in the equity capital of which he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or any amount specified in applicable PRC law as the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this company; and
 - (vi) any company with which or individual with whom he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture (whether or not constituting a separate legal person) under PRC law where he, his family interests, and/or any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% (or any amount specified in applicable PRC law as the level for triggering a mandatory general offer or

for otherwise establishing legal or management control over a business enterprise) or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture; and

(b) in relation to a company means:—

- (i) its subsidiary or holding company or a fellow subsidiary of its holding company;
- (ii) the trustees, acting in their capacity as trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object;
- (iii) [Repealed 3 June 2010]
- (iv) any other company (including an equity joint venture established under PRC law) in the equity capital of which the company, its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or any amount specified in applicable PRC law as being the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any subsidiary of this other company; and
- (v) any other company with which or any individual with whom the company, its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together are directly or indirectly interested in a cooperative or contractual joint venture (whether or not constituting a separate legal person) under PRC law where it, its subsidiary or holding company, a fellow subsidiary of its holding company, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, taken together directly or indirectly have 30% (or any amount specified in applicable PRC law as the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more interest either in the capital and/or assets contributions to such joint venture or in the contractual share of profits or other income from such joint venture,

(2) the term “PRC Governmental Body” means:—

- (a) PRC Central Government, including the State Council of the PRC (中國國務院), State Ministries and Commissions (國家部委), Bureaus and Administrations directly under the State Council (國務院直屬機構), State Council Offices and Institutions (國務院辦事機構及直屬國務院事業單位), Bureaus supervised by State Ministries and Commissions (國家部委代管局);
- (b) PRC Provincial-level Governments, including Provincial Governments (省政府), Municipalities directly under the Central Government (直轄市) and Autonomous Regions (自治區), together with their respective administrative arms, agencies and institutions; or
- (c) PRC Local Governments immediately under the PRC Provincial-level Governments, including prefectures (區), municipalities (市) and counties (縣), together with their respective administrative arms, agencies and institutions that is not engaging in commercial business or operating another commercial entity.

Note: For clarity, entities under the PRC Government that are engaging in commercial business or operating another commercial entity will be excluded from this definition.

Chapter 6A – Sponsors

25.05 [Repealed 1 October 2013]

Chapter 9 – Suspension and Resumption of Trading, Cancellation and Withdrawal of Listing

25.06 The references in rules 9.19, 9.20 and 9.23 to “shareholders” shall be construed to mean “holders of H shares”.

Chapter 11 – Qualifications for Listing

25.07 The following modifications and additional requirements apply:—

- (1) the Exchange reserves the right, in its discretion, to refuse a listing of securities of a PRC issuer if it believes that it is not in the interest of the public in Hong Kong to list them;
- (2) the PRC issuer must appoint, and maintain throughout the period its securities are listed on GEM the appointment of, a person authorised to accept service of process and notices on its behalf in Hong Kong, and must notify the Exchange of his appointment and any termination of his appointment and details of:—

- (a) his address for service of process and notices;
- (b) if different, his place of business or, if he does not maintain a place of business, his residential address;
- (c) his business, residential and mobile telephone number;
- (d) his facsimile number and electronic mail address, if any; and
- (e) any change in the above particulars;

Note: The person appointed under this rule may also be the person authorised to accept service required to be appointed under Part 16 of the Companies Ordinance, if applicable.

- (3) provision must be made for a register of holders to be maintained in Hong Kong, or such other place as the Exchange may agree, and for transfers to be registered locally. The Exchange may, however, consider an alternative proposal for registering transfers for Hong Kong holders in exceptional circumstances;
- (4) unless the Exchange otherwise agrees, only securities registered on the Hong Kong register may be traded on GEM; and
- (5) where two or more registers or branch registers of securities are maintained by a PRC issuer, it will not be necessary for the Hong Kong register to contain particulars of the shares registered on any other register or branch register.

25.08 [Repealed 1 July 2008]

25.09 [Repealed 1 July 2008]

25.10 Under rule 11.04, the Exchange requires a new applicant to make disclosure where it has a director, or controlling shareholder and, in relation only to the initial listing document, substantial shareholder (including the respective close associates of each) with a business or interest which competes or may compete with the business of the group. In this connection, in the case of a new applicant which is a PRC issuer, "controlling shareholder" means any shareholder or other person or group of persons together entitled to exercise, or control the exercise of 30% (or such other amount as may from time to time be specified in applicable PRC law as being the level for triggering a mandatory general offer or for otherwise establishing legal or management control over a business enterprise) or more of the voting power at general meetings of the new applicant or who is in a position to control the composition of the majority of the board of directors of the new applicant. For the purposes of this rule, the Exchange will normally not consider a PRC Governmental Body (as defined in rule 25.04) as a controlling shareholder of a PRC issuer.

25.11 [Repealed 1 January 2012]

- 25.12 Rules 11.02 and 11.30(1) do not apply to domestic shares or foreign shares other than H shares of a PRC issuer.
- 25.13 (1) In addition to the requirements of Chapter 5, the independent non-executive directors of a PRC issuer must also be able to demonstrate an acceptable standard of competence and adequate commercial or professional experience to ensure that the interests of the general body of shareholders will be adequately represented.
- (2) Supervisors of a PRC issuer must have the character, experience and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors. The Exchange may request further information regarding the background, experience, other business interests or character of any supervisor or proposed supervisor.
- 25.14 In addition to the requirement of rule 25.10, the Exchange may from time to time determine that certain persons or entities should be treated as connected persons of a PRC issuer for the purposes of the connected transaction provisions of Chapter 20.

Chapter 12 – Application Procedures and Requirements

- 25.15 (1) [Repealed 1 October 2013]
- (2) The forms of declaration, undertaking and acknowledgement to be lodged under rule 12.26(9) may require additional adjustment by virtue of the laws to which the PRC issuer is subject.
- 25.16 [Repealed 1 October 2013]
- 25.17 [Repealed 1 October 2013]
- 25.17A A certified copy of the document issued by the China Securities Regulatory Commission or other PRC competent authority expressly approving the PRC issuer's listing on the Exchange must be lodged with the Exchange by a new applicant at least 4 clear business days before the proposed hearing date.

Chapter 13 – Restrictions on Purchase, Disposal and Subscription

- 25.18 A PRC issuer may purchase its own shares on GEM in accordance with the provisions of this rule and rules 13.03 to 13.14. Although such provisions normally apply to a PRC issuer's equity securities which are listed on GEM and which are or are proposed to be purchased on GEM, when seeking shareholders' approval to make purchases of such securities on GEM or when reporting such purchases, a PRC issuer should provide information on the proposed or actual purchases of any or all of its equity securities, whether or not listed or traded on GEM. Therefore, in the case of a PRC issuer, rule 13.06 is amended and restated in its entirety to read as follows:

"For the purposes of rules 13.03 to 13.14, "shares" shall mean shares of all classes listed on GEM and securities listed on GEM which carry a right to subscribe or purchase shares of the PRC issuer, provided that references to "shares" in rules 13.08 and 13.13 shall also include shares of all classes listed on any stock exchange and securities that are listed on any stock exchange which carry a right to subscribe or purchase shares of such PRC issuer, and provided further that the Exchange may waive the requirements of those rules in respect of any fixed participation shares which are, in the opinion of the Exchange, more analogous to debt securities than equity securities. References to purchases of shares include purchases by agents or nominees on behalf of the PRC issuer or subsidiary of the PRC issuer, as the case may be."

- 25.19 (1) References to "ordinary resolution" in rules 13.07 to 13.09 shall mean, for a PRC issuer, the special resolutions of shareholders in general meetings and of holders of domestic shares and foreign shares (and, if applicable, H shares) at separate meetings of such holders conducted in accordance with such issuer's articles of association for approving share repurchases.
- (2) For a PRC issuer, rule 13.08(7) is restated in its entirety as follows:—
- "a statement as to the consequences of any purchases which shall arise under either or both of the Takeovers Code and/or any similar applicable law of which the directors are aware, if any."
- (3) For a PRC issuer, the reference to "10% of the existing issued share capital of the PRC issuer" in rule 13.09(1) is amended to mean "10% of the total amount of existing issued H shares of the PRC issuer".

Chapter 14 – Listing Documents

25.20 The following modifications and additional requirements apply to the contents of listing documents:

- (1) some of the items of information specified in Parts A and B of Appendix 1 may be inappropriate. In such a case, the item should be appropriately adapted so that equivalent information is given;
- (2) the listing document must contain a summary of all provisions of the constitutional documents of the PRC issuer in so far as they may affect shareholders' rights and protection and directors' powers (using, and covering at the least, the same subject headings as is required by Section 2 in Part C of Appendix 11 in respect of PRC issuers);
- (3) the listing document must contain a summary of the relevant PRC law; and

Note: In general, the relevant PRC law to be summarised normally would be expected to cover matters such as taxation on the PRC issuer's income and capital, tax (if any) deducted on distributions to shareholders, foreign exchange controls or restrictions, company law, securities regulations or other relevant laws or regulations, and any PRC law which regulates or limits the PRC issuer's major business(es) or the industry in which it mainly operates.

- (4) the documents to be offered for inspection will be the documents corresponding to those mentioned in paragraph 52 of Part A and paragraph 42 of Part B of Appendix 1, and where any such documents are not in English or Chinese, a certified English or Chinese translation thereof must be available for inspection. In addition, where rule 25.20(3) applies, the PRC issuer must offer for inspection a copy of any statutes or regulations which are relevant to the summary of relevant PRC law. In particular cases, the Exchange may require other additional documents to be offered for inspection.

25.20A Rules 25.20(2) and (3) do not apply to listing documents issued by listed issuers unless they are issued in connection with an introduction or a deemed new listing under the GEM Listing Rules.

Chapters 17 and 18 – Continuing Obligations and Financial Information

General

25.21 Whilst Chapters 17 and 18 apply equally to PRC issuers, the Exchange may be prepared to agree to such modifications as it considers appropriate in a particular case.

- 25.22 Conversely, the Exchange may impose further additional requirements in a particular case (see, for example, rule 25.14). The additional requirements currently imposed by the Exchange in respect of PRC issuers are set out in Part C of Appendix 11. The Exchange may add to, waive or not require compliance with, the requirements of Chapters 17 and 18, on a case by case basis in its discretion.

Pre-emptive rights

- 25.23 The requirements of rules 17.39 to 17.41 are replaced in their entirety by the following provision:—

“17.39 Except in the circumstances mentioned in rule 17.41, the directors of the PRC issuer shall obtain the approval by a special resolution of shareholders in general meeting and the approvals by special resolutions of holders of domestic shares and overseas listed foreign shares (and, if applicable, H shares) (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the PRC issuer’s articles of association, prior to authorising, allotting, issuing or granting:—

- (1) shares;
- (2) securities convertible into shares; and
- (3) options, warrants or similar rights to subscribe for any shares or such convertible securities.

Note: Importance is attached to the principle that a shareholder should be able to protect his proportion of the total equity by having the opportunity to subscribe for any new issue of equity securities. Accordingly, unless shareholders otherwise permit, all issues of equity securities by the PRC issuer must be offered to the existing shareholders (and, where appropriate, to holders of other equity securities of the PRC issuer entitled to be offered them) pro-rata to their existing holdings, and only to the extent that the securities offered are not taken up by such persons may they be allotted or issued to other persons or otherwise than pro-rata to their existing holdings. This principle may be waived by the shareholders themselves on a general basis, but only within the limits of rule 17.41.

- 17.40 Notwithstanding rule 17.41, the directors of the PRC issuer shall obtain the approval by special resolution of its shareholders in general meeting, prior to allotting any voting shares if such allotment would effectively alter the control of the PRC issuer.

- 17.41 No such approval as is referred to in rule 17.39 shall be required in the case of authorising, allotting or issuing shares if, but only to the extent that,

- (1) the shareholders of the PRC issuer have by special resolution of its shareholders in general meeting given approval, either unconditionally or subject to such terms and conditions as may be specified in the resolution, for the PRC issuer to authorise, allot or issue, either separately or concurrently once every twelve months, not more than twenty per cent of each of the existing issued domestic shares and overseas listed foreign shares of the PRC issuer; or
- (2) such shares are part of the PRC issuer’s plan at the time of its establishment to issue domestic shares and overseas listed foreign shares and which plan is implemented within fifteen months from the date of approval by China Securities Regulatory Commission or such other competent state council securities regulatory authority.

Notes: 1 *Other than where independent shareholders' approval has been obtained, an issue of securities to a connected person pursuant to a general mandate given under rule 17.41(2) is only permitted in the circumstances set out in rule 20.90.*

2 *Notwithstanding any issue of securities pursuant to a general mandate given under rule 17.41, the PRC issuer must at all times comply with the prescribed minimum percentage requirements concerning shares held by the public, as set out in rule 11.23."*

Annual report and accounts and auditors' report

25.24 The following modifications and additional requirements apply to Chapter 18 and to the extent such modifications and additional requirements conflict with the provisions of Chapter 18, the following provisions shall apply.

25.25 The annual accounts must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the PRC issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and must be:—

- (1) qualified under the Professional Accountants Ordinance for the appointment as an auditor of a company; or
- (2) a firm of practising accountants acceptable to the Exchange which has an international name and reputation and is a member of a recognised body of accountants; or
- (3) a firm of practising accountants acceptable to the Exchange which is a joint venture approved or otherwise permitted by the China Securities Regulatory Commission or other competent authority in the PRC to act as an auditor of a listed company in the PRC and at least one of whose principal joint venture partners is either qualified under (1) or acceptable under (2); or
- (4) a firm of practising accountants which has been approved by the China Ministry of Finance and the China Securities Regulatory Commission as being suitable to act as an auditor or a reporting accountant for a PRC incorporated company listed in Hong Kong.

25.26 The accounts must be audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards.

25.27 The report of the auditors must be annexed to all copies of the annual accounts required to be sent by the PRC issuer and indicate whether in the opinion of the auditors the accounts give a true and fair view:

- (1) in the case of the issuer's balance sheet, of the state of its affairs at the end of the financial year and in the case of the issuer's profit and loss account, of the profit or loss and in the case of the issuer's cash flow statement, of the cash flows for the financial year; and
- (2) in the case where consolidated accounts are prepared, of the state of affairs, the profit or loss and the cash flows of the issuer and the group of which the issuer is the holding company.

- 25.28 The report of the auditors must indicate the act, ordinance or other legislation in accordance with which the annual accounts have been drawn up and the authority or body whose auditing standards have been applied.
- 25.29 If the PRC issuer is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, the Exchange may allow its accounts to be drawn up to that standard. Reference must, however, be made to the Exchange.
- 25.30 An auditors' report in a different form may be applicable in the case of banking and insurance companies. The wording of such an auditors' report should make it clear whether or not profits have been stated before transfers to or from undisclosed reserves.

Information to accompany annual report and accounts

- 25.31 A PRC issuer shall include in its directors report and accounts the information necessary to enable holders of its securities to obtain any relief from taxation to which they are entitled by reason of their holding of such securities.
- 25.32 A PRC issuer shall include in its directors' report and accounts those additional disclosures required of Hong Kong incorporated companies under the provisions of the Companies Ordinance and subsidiary legislations set out in rule 18.07A.
- 25.33 The statement of reserves available for distribution to shareholders required pursuant to rule 18.37 shall be calculated in accordance with any statutory provisions applicable in the PRC or, in the absence of such provisions, with generally accepted accounting principles.

Half-year and quarterly reports

- 25.34 If the PRC issuer publishes a 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 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.

Despatch of circular and listing document

- 25.34A The timing for despatching a circular under rules 17.46(2), 19.41(b), 19.51, 20.44(1) and 23.06 is modified to require a PRC issuer to despatch the circular on or before the deadline for giving notice of the general meeting under the Company Law.
- 25.34B The timing for despatching a listing document under rule 19.57 is modified to require a PRC issuer to despatch the listing document on or before the deadline for giving notice of the general meeting under the Company Law.

Listing on a PRC stock exchange

- 25.35 A PRC issuer shall not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Exchange is satisfied that the relative rights of the holders of overseas listed foreign shares are adequately protected.

Constitutional documents

- 25.36 A PRC issuer shall not at any time permit or cause any amendment to be made to its articles of association which would cause the same to cease to comply with the provisions of Appendix 3 or Section 1 of Part C of Appendix 11 of the GEM Listing Rules.
- 25.37 A PRC issuer shall make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by shareholders at reasonable charges, the following:—
- (a) a complete duplicate of the register of shareholders;
 - (b) a report showing the state of the issued share capital of the PRC issuer;
 - (c) the PRC issuer's latest audited financial statements and the directors', auditors' and supervisors' reports thereon;
 - (d) special resolutions of the PRC issuer;
 - (e) reports showing the number and nominal value of securities repurchased by the PRC issuer since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and foreign shares (and, if applicable, H shares));
 - (f) a copy of the latest annual return filed with the Administration for Industry and Commerce or other relevant PRC authority; and
 - (g) for shareholders only, copies of the minutes of meetings of shareholders.
- 25.38 A PRC issuer shall appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owing in respect of securities listed on GEM to be held, pending payment, in trust for the holders of such securities.

25.39 A PRC issuer shall ensure that all its listing documents include the statements stipulated below and shall instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect:—

- (1) The acquirer of shares agrees with the PRC issuer and each shareholder of the PRC issuer, and the PRC issuer agrees with each shareholder, to observe and comply with the Company Law, the Regulations and the articles of association of the PRC issuer.
- (2) The acquirer of shares agrees with the PRC issuer, each shareholder, director, supervisor, manager and officer of the PRC issuer and the PRC issuer acting for itself and for each director, supervisor, manager and officer agrees with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the PRC issuer to arbitration in accordance with the articles of association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearing in open session and to publish its award. Such arbitration shall be final and conclusive.
- (3) The acquirer of shares agrees with the PRC issuer and each shareholder of the PRC issuer that shares in the PRC issuer are freely transferable by the holder thereof.
- (4) The acquirer authorises the PRC issuer to enter into a contract on his behalf with each director and officer whereby such directors and officers undertake to observe and comply with their obligations to shareholders stipulated in the articles of association.

All documents of title for equity securities (including certificates for H shares) of the PRC issuer listed on GEM and listing documents relating thereto should include the statements above, modified as appropriate, to refer to the relevant equity securities, and the PRC issuer shall instruct its registrar for the relevant equity securities to act accordingly.

25.40 A PRC issuer shall observe and comply with the Company Law, the Regulations and the PRC issuer's articles of association.

25.41 A PRC issuer shall enter into a contract in writing with every director and officer containing at least the following provisions:—

- (1) an undertaking by the director or officer to the PRC issuer to observe and comply with the Company Law, the Regulations, the articles of association, the Takeovers Code and the Share Buy-backs Code and an agreement that the PRC issuer shall have the remedies provided in the articles of association and that neither the contract nor his office is capable of assignment;
- (2) an undertaking by the director or officer to the PRC issuer acting as agent for each shareholder to observe and comply with his obligations to shareholders stipulated in the articles of association; and

(3) an arbitration clause as follows:—

- (a) Whenever any disputes or claims arise from this contract, the company's articles of association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) the company and its directors or officers; and (ii) a holder of overseas listed foreign shares and a director or officer of the company, the parties concerned shall resolve such disputes and claims through arbitration.
- (b) Where a dispute or claim described above is referred to arbitration, the entire dispute or claim shall be resolved through arbitration; all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, directors, supervisors, manager or other officers of the company or the company, shall submit to arbitration.
- (c) Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.
- (d) The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or by the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party must submit to the arbitral body selected by the party seeking the arbitration.
- (e) If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre.
- (f) The laws of the People's Republic of China shall govern the arbitration of disputes or claims described in clauses (a), (b) and (c) above, unless otherwise provided by law or administrative regulations.
- (g) The award of the arbitral body is final and shall be binding on the parties thereto.
- (h) This agreement to arbitrate is made by the director or officer with the company on its own behalf and on behalf of each shareholder.
- (i) Any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award.

25.42 A PRC issuer shall enter into a contract in writing with every supervisor containing at least the following provisions:—

- (a) an undertaking by the supervisor to the PRC issuer to observe and comply with the Company Law, the Regulations and the articles of association and an agreement that the PRC issuer shall have the remedies provided in the articles of association and that neither the contract nor his office is capable of assignment;
- (b) an undertaking by the supervisor to the PRC issuer acting as agent for each shareholder to observe and comply with his obligations to shareholders stipulated in the articles of association; and

(c) the arbitration clause set forth in rule 25.41(3), subject to necessary modifications.

- 25.43 All notices or other documents required under Chapter 17 to be sent by the PRC issuer to the Exchange or to holders of the PRC issuer's securities listed on GEM shall be in English with a Chinese translation or in Chinese with an English translation.

General

- 25.44 References in Chapter 19 to an issuer's "accounts" shall mean, in the case of a PRC issuer, the latest published audited accounts or consolidated accounts of such PRC issuer which have been prepared in accordance with Hong Kong Financial Reporting Standards, International Financial Reporting Standards or China Accounting Standards for Business Enterprises as provided for in rule 18.04.
- 25.45 All documents furnished by a PRC issuer, including accounts, which are in a language other than English or Chinese must be accompanied by a certified English or Chinese translation. If the Exchange so requires, an additional translation must be prepared in Hong Kong at the PRC issuer's expense by such person or persons as the Exchange shall specify.
- 25.46 Information to be supplied by PRC issuers in a listing document or accounts notwithstanding any obligation in the GEM Listing Rules, the Statutory Rules or any obligation imposed by the laws of Hong Kong shall not be less than that required to be supplied by the PRC issuer under applicable PRC law.

Chapter 26

DEBT SECURITIES

METHODS OF LISTING

- 26.01 This Chapter does not apply to debt issues to professional investors only. All other debt securities may be brought to listing by any one of the methods described below.

Offer for subscription

- 26.02 An offer for subscription is an offer to the public by or on behalf of an issuer of its own debt securities for subscription.
- 26.03 The subscription of the debt securities need not be underwritten, provided that full disclosure to that effect is made and the minimum nominal amount of debt securities referred to in rule 27.08 is actually issued.
- 26.04 In the case of offers by tender, the Exchange must be satisfied as to the fairness of the basis of allotment so that every investor who applies at the same price for the same number of debt securities receives equal treatment.
- 26.05 An offer for subscription must be supported by a listing document which must comply with the relevant requirements of Chapter 29.

Offer for sale

- 26.06 An offer for sale is an offer to the public by an intermediary of debt securities already in issue or agreed to be subscribed.
- 26.07 In the case of offers by tender, the Exchange must be satisfied as to the fairness of the basis of allotment so that every investor who applies at the same price for the same number of debt securities receives equal treatment.
- 26.08 An offer for sale must be supported by a listing document which must comply with the relevant requirements of Chapter 29.

Placing

- 26.09 A placing is the obtaining of subscriptions for debt securities by an issuer or intermediary from persons selected or approved by the issuer or intermediary.
- 26.10 The Exchange must be satisfied that the placing arrangements will ensure an open market in the debt securities after listing has been granted. This will usually mean that at least two issuing houses which normally make markets (by quoting both offer and bid prices) in the relevant type of debt security must be involved in the placing. These need not be members of the management or selling group, but must be independent of each other and at least one must be independent of the issuer.
- 26.11 A placing must be supported by a listing document which must comply with the relevant requirements of Chapter 29.

Exchange, etc.

- 26.12 Debt securities may be brought to listing by an exchange or a substitution of debt securities for or a conversion of debt securities into other classes of securities.
- 26.13 An exchange, substitution or conversion of debt securities must be effected in accordance with the terms and conditions of the debt securities to be exchanged, substituted or converted or otherwise with the consent of all the holders of such securities.
- 26.14 An exchange or a substitution of debt securities must be supported by a listing document in the form of a circular to holders of the debt securities concerned which must comply with the relevant requirements of Chapter 29.

Other methods

- 26.15 Debt securities may also be brought to listing by:—
- (1) the exercise of options, warrants or similar rights to subscribe or purchase debt securities (see Chapter 33); or
 - (2) such other methods as the Exchange may from time to time approve.

Chapter 27

DEBT SECURITIES

QUALIFICATIONS FOR LISTING

Preliminary

27.01 This Chapter does not apply to debt issues to professional investors only. It sets out the basic conditions which have to be met as a pre-requisite to the listing of debt securities.

27.02 Issuers are reminded:—

- (1) that these requirements are not exhaustive and that the Exchange may impose additional conditions in a particular case; and
- (2) that the Exchange retains an absolute discretion to accept or reject applications for listing and that compliance with the relevant conditions may not of itself ensure suitability for listing.

Prospective issuers are therefore encouraged to contact the Exchange to seek informal and confidential guidance as to the eligibility of a proposed issue for listing at the earliest possible opportunity.

Basic conditions

27.03 No issuer may list its debt securities on GEM unless its equity securities, or the equity securities of its holding company, are already listed on GEM or will be listed on GEM at the same time as the issuer's debt securities.

27.04 Chapter 6A does not apply to initial listings of debt securities. However:—

- (1) where a new applicant (or holding company of the new applicant), that seeks a listing of debt securities on GEM, seeks such listing at the same time as seeking to list its (or its holding company's) equity securities on GEM, then the Sponsor appointed by the new applicant pursuant to rule 6A.02 (or another Sponsor firm specifically appointed for the purpose) must advise the new applicant in connection with the issue and listing of the debt securities;
- (2) a new applicant (or holding company of the new applicant) seeking a listing of debt securities on GEM in circumstances other than those described in paragraph (1) above, must appoint a financial adviser, acceptable to the Exchange, to advise the new applicant in connection with the issue and listing of the debt securities.

27.04A In exercising its discretion under rule 27.04 to determine whether a financial adviser is acceptable, the Exchange may have regard to paragraphs (3) to (7) of the test of independence set out in rule 6A.07 as those paragraphs would apply to the relationships between the financial adviser and the issuer.

27.05 The issuer and the guarantor, in the case of a guaranteed issue, must each be duly incorporated or otherwise established under the laws of the place where it is incorporated or otherwise established and must be in conformity with those laws and its memorandum and articles of association or equivalent documents.

27.06 The issuer and the guarantor, in the case of a guaranteed issue, must have each produced audited accounts in accordance with its national law covering at least the 2 financial years preceding the application for listing.

27.07 In the case of a new applicant, the latest financial period reported on by the reporting accountants (see Chapter 7) must not have ended more than 6 months before the date of the listing document.

27.08 The nominal amount of each class of debt securities for which listing is sought must be at least HK\$30,000,000. Issues of debt securities which are or are to be uniform in all respects with debt securities of a class already listed are not subject to this limit.

Notes: 1 In exceptional cases, a lower minimum nominal amount may be acceptable where the Exchange is satisfied as to marketability.

2 In the case of options, warrants or similar rights to subscribe or purchase debt securities, the same limit will apply as would apply to the underlying debt securities to be subscribed or purchased.

27.09 The debt securities for which listing is sought must be freely transferable.

27.10 The issue and listing of the debt securities for which listing is sought must be in conformity with the law of the place where the issuer is incorporated or otherwise established and in conformity with the issuer's memorandum and articles of association or equivalent documents and all authorisations needed for their creation and issue under such law or documents must have been duly given. The same applies, mutatis mutandis, to the giving of any related guarantee by a guarantor.

27.11 Debt securities to which options, warrants or similar rights to subscribe or purchase equity securities or debt securities are attached must also comply with the requirements applicable to such options, warrants or similar rights (see Chapter 33 as appropriate).

27.12 The issuer must maintain a paying agent at an address in Hong Kong until the date on which no debt security is outstanding unless the issuer performs that function itself.

27.13 In the case of registered securities (other than those transferable by endorsement and delivery), provision must be made for a register of holders to be maintained in Hong Kong, or such other place as the Exchange may agree and for transfers to be registered locally. The Exchange may, however, consider an alternative proposal for registering transfers for Hong Kong holders in exceptional circumstances.

Stabilisation

27.14 Any activities or transactions carried out prior to the commencement of dealings with a view to stabilising or maintaining the market price of the debt securities at levels other than those which might otherwise prevail must only be effected in accordance with all applicable statutory provisions or regulations. If any such activities or transactions are not effected in accordance with such provisions or regulations the application for listing will be rejected by the Exchange.

Guarantors and guaranteed issues

27.15 Where listing is sought for debt securities of an issuer guaranteed or secured by another legal person not being its holding company, the guarantor will be required to comply with the GEM Listing Rules to the same extent as if such guarantor were the issuer of the relevant debt securities. In particular:—

- (1) a listing document issued in relation to a guaranteed issue must contain the same information regarding the guarantor as that regarding the issuer, so that, where appropriate, references in paragraphs of Part C of Appendix 1 to “issuer” should be read as applying equally to the guarantor; and
 - (2) a guarantor will be required to undertake (in the prescribed form set out in Appendix 5C, amended as appropriate so as to apply to the guarantor) to comply with the GEM Listing Rules applicable to issuers of debt securities, save for any that are stated not to apply.
- 27.16 The relevant guarantee must be issued in conformity with the law of the place where the guarantor is incorporated or otherwise established and in conformity with the guarantor’s memorandum and articles of association or equivalent documents and all authorisations needed for its issue under such law or documents must have been duly given.
- 27.17 The matters to be included or reported on under rules 7.03 and 7.04, if applicable, must be extended to the guarantor and its subsidiaries as well as the issuer.

Chapter 28

DEBT SECURITIES

APPLICATION PROCEDURES AND REQUIREMENTS

Preliminary

28.01 This Chapter does not apply to debt issues to professional investors only. It sets out the procedures and requirements for applications for the listing of debt securities.

28.02 The issuer must contact the Listing Division to ascertain a date (the “provisional hearing date”) on which the Listing Division or the GEM Listing Committee, as applicable, may consider the issuer’s application for listing. The Exchange reserves the right to change the provisional hearing date.

28.03 In order to allow the Exchange sufficient time to consider an application for listing on the basis of the supporting documents and to maintain an orderly new issues market, the issuer must apply to the Listing Division on the prescribed form set out in Appendix 5C at the earliest possible opportunity. In circumstances where the issuer is applying for the simultaneous listing of equity securities and debt securities, the issuer must follow the timetable relevant to the application to list such equity securities; and must otherwise apply in accordance with the following:—

- (1) in circumstances where the application is required to be supported by a listing document, the application form must be submitted at least 10 clear business days prior to the provisional hearing date; and
- (2) in circumstances where the application is not required to be supported by a listing document, the application must be submitted at least 4 clear business days prior to the proposed date for issuing the securities.

Note: If it is not possible to lodge documents with the Exchange within the specified time limits, they should be submitted as soon as they become available. Issuers should appreciate that any significant delay in lodging documents may affect the listing timetable.

28.04 In order to maintain an orderly new issues market the Exchange reserves the right to postpone consideration of an application if there are too many existing applications in the relevant period.

28.05 Where any document is amended after submission, a like number of further copies must be submitted to the Exchange for review, marked in the margin to indicate where the relevant items from Part C of Appendix 1 have been met (and in the case only of a prospectus, the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance). Such copies must also be marked in the margin to indicate amendments made to conform with points raised by the Exchange. In any event, the final form, or, as appropriate, signed original of any document must have been received at least 4 clear business days prior to the provisional hearing date.

28.06 No material amendment to the final proof listing document will be allowed without the consent of the Exchange.

28.07 The listing document must not be issued until the Exchange has confirmed to the issuer that it has no further comments thereon. However, circulation of a draft or preliminary listing document which is clearly marked as such, is permitted for the purposes of arranging underwriting.

28.08 All publicity material released in Hong Kong relating to an issue of debt securities by a new applicant must not be released until the Exchange has reviewed it and confirmed to the issuer that it has no comments thereon. In addition, the publicity material must comply with all statutory requirements. For these purposes, publicity material does not relate to an issue of debt securities if its purpose is the promotion of the issuer or its products or business and not the promotion of the debt securities to be issued. Moreover, circulation is permitted of documents of a marketing nature such as the invitation or offering document (or its equivalent) and documents which consist of, or are drafts of, or relate to, agreements to be entered into in connection with the issue of the debt securities, provided that any obligations created thereunder to issue, subscribe, purchase or underwrite the debt securities are conditional on listing being granted. These documents will not be considered as falling within the scope of this rule and need not be submitted for prior review. Any publicity material and announcement referring to a new applicant which is issued before the Listing Division's hearing of the new applicant's application for listing must state that application has been or will be made to the Exchange for listing of and for permission to deal in the debt securities concerned. Where any material relating to a proposed listing by a new applicant is released without the Exchange's prior review before the hearing, the Exchange may postpone the hearing by up to 1 month.

Issuers must maintain confidentiality before announcing an issue. Where the Exchange believes that an issuer or its advisers have permitted inside information regarding the issue of additional securities to leak before announcing the subject, the Exchange will not normally consider an application for the listing of those securities.

28.09 Issuers are also reminded that these requirements are not exhaustive and that an applicant for listing must also supply any further documents and information which the Exchange may require in a particular case.

Application

28.10 In circumstances where rule 27.04 applies such that the issuer has appointed a Sponsor or financial adviser, that Sponsor or financial adviser is responsible for providing advice to the issuer in connection with the debt issue and must lodge the issuer's application for listing and all supporting documents and deal with the Exchange on all matters in connection with the application.

28.11 The application for listing must be made, in accordance with the provisions of rule 28.03, in the prescribed form set out in Appendix 5C, signed by a duly authorised officer of the issuer. The form must be accompanied:—

- (1) by the documents, as applicable, stipulated in rule 28.13;
- (2) in circumstances where the issuer or the issuer's holding company is required to have (or otherwise retains) a Sponsor or financial adviser, the Sponsor's or financial adviser's statement relating to independence in a form acceptable to the Exchange; and
- (3) the listing fee in the amount specified in Appendix 9.

28.12 The Exchange has a discretion to reject any application. In such circumstances, the Exchange shall give written notice of the rejection and the reasons therefor.

Documentary requirements

At the time of application for listing

28.13 The following documents, as applicable, must be lodged with the Exchange for review together with the form of application and other items referred to in rule 28.11:—

- (1) 6 drafts or proof prints of the listing document in anticipated final form, marked in the margin to indicate where compliance has been made with the relevant provisions of the GEM Listing Rules and, in the case only of a prospectus, to indicate in addition where compliance has been made with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

Note: The Exchange acknowledges that information relating to the pricing, the number of securities to be offered, details of the underwriting (if any) and related matters may not have been settled at the time of the application.

- (2) 3 copies of the anticipated final draft or proof of the formal notice, where applicable;
- (3) 3 copies of the anticipated final draft or proof print of any application form (including any excess or preferential application form) to subscribe or purchase the debt securities for which listing is sought;
- (4) 3 copies of the anticipated final draft or proof of any temporary document of title (which must comply with Part A of Appendix 2) where applicable;
- (5) 3 copies of the anticipated final draft or proof of the definitive certificate or other document of title (which must comply with Part B of Appendix 2) (unless the securities for which listing is sought are or are to be identical in all respects with a class already listed);
- (6) a copy of the anticipated final draft, if available, of the trust deed or other document securing or constituting the debt securities, which must comply with Appendix 4, and which are marked in the margin to indicate where the relevant items from Appendix 4 have been met;
- (7) where the listing document contains an accountants' report, 3 copies of the anticipated final draft of any statement of adjustments relating to the accountants' report;
- (8)
 - (a) 3 certified copies of the memorandum and articles of association or equivalent documents of both the applicant and the guarantor, in the case of a guaranteed issue, or, if previously supplied in connection with a previous listing and where no amendments have been made thereto, a certificate of an authorised officer of the issuer and of the guarantor, in the case of a guaranteed issue, confirming that there have been no amendments thereto; and
 - (b) the annual report and accounts of each of the completed financial years, as shown in the accountants' report, of the issuer or its group and the guarantor or its group, in the case of a guaranteed issue, immediately preceding the issue of the listing document or, if such accounts have previously been supplied in connection with a previous listing, a certificate from the auditors of the issuer and the guarantor, in the case of guaranteed issue, that there has been no material adverse change in the financial position and prospects of the issuer and guarantor, as the case may be, since the date of the latest audited accounts. (see rule 27.06).

- (9) where possible, a certified copy of:—
- (a) the resolution(s) of the issuer in general meeting (if any) authorising the issue of all debt securities for which listing is sought;
 - (b) the resolution(s) of the board of directors or other governing body or any other person to whom it has properly delegated these powers (together, in such cases, with a certified copy of the power of attorney or resolution delegating the powers) authorising the issue and allotment of such debt securities and the making of the application for listing in the prescribed form (Appendix 5C); and
 - (c) in the case of a guaranteed issue, the resolution(s) of the board of directors or other governing body of the guarantor approving and authorising the giving and signing of the guarantee(s) and the undertaking to comply with the GEM Listing Rules (see rule 27.15) and authorising the issue of the listing document (if applicable); and
- (10) 3 copies of the notice(s) of meeting (if any) referred to in the listing document; and
- (11) any checklist(s) in the form prescribed by the Exchange from time to time, duly completed.

After notification of listing approval but before the date of issue of the listing document

28.14 On or before the date of issue of the listing document, the following documents must be supplied to the Exchange:—

- (1) in the case of a new applicant or a listed issuer proposing to issue a listing document of the type referred to in rule 6A.36(1) within the minimum period referred to in rule 6A.19 or any period fixed for the purposes of rule 6A.20 during which the issuer or the issuer's holding company is required to appoint a Compliance Adviser, the signed declaration in the form set out in Appendix 7J as referred to in rule 6A.35;
- (2) [Repealed 1 September 2008]
- (3) a certified copy of every letter, report, financial statement, statement of adjustments, valuation, contract, resolution or other document any part of which is extracted or referred to in the listing document; and
- (4) a certified copy of the written consent by any expert to the issue of the listing document with the inclusion therein of the following in the form and context in which they are included.

(5) [Repealed 1 September 2008]

28.15 In the case of a listing document which constitutes a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the following documents must be lodged with the Exchange by 11 a.m. on the intended date of authorisation of the prospectus:—

- (1) an application for authorisation for registration of the prospectus pursuant to section 38D(3) or section 342C(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be);
- (2) two printed copies of the prospectus, duly signed in accordance with section 38D(3) or section 342C(3) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as the case may be) and having endorsed thereon or annexed thereto the documents stipulated by the relevant section;
- (3) in respect of a Chinese translation of the prospectus, a certificate issued by the translator certifying that the Chinese translation of the English version of the prospectus is true and accurate or in respect of an English translation of the prospectus, a certificate issued by the translator certifying that the English translation of the Chinese version of the prospectus is true and accurate; and in either case, a certificate issued by a competent officer of the Sponsor certifying that the translator is competent to have given the certificate as to translations in respect of the prospectus documents; and
- (4) the powers of attorney or other authority pursuant to which the prospectus is signed, together with one certified copy of each such power or authority.

After the date of issue of the listing document but before dealings commence

28.16 As soon as practicable after the issue of the listing document but before dealings commence, the following documents must be lodged with the Exchange:—

- (1) unless previously supplied under rule 28.13(9), a certified copy of the resolution(s) therein referred to;
- (2) the completed company information sheet in the prescribed form set out in Appendix 5F, submitted in the electronic format specified by the Exchange from time to time, for publication on the GEM website, together with a hard copy duly signed by or on behalf of each of the directors of the issuer;

Note: This requirement does not relate to the guarantor, in the case of a guaranteed issue, unless the guarantor is itself a listed issuer.

(3) [Repealed 25 June 2007]

- (4) [Repealed 25 June 2007]
- (5) [Repealed 25 June 2007]
- (6) a specimen of any temporary document of title;
- (7) where available, a specimen of the definitive certificate or other document of title;
- (8) if requested by the Exchange, a declaration from the security printers responsible for the production of bearer documents of title in accordance with paragraph 24 of Part B of Appendix 2; and
- (9) a declaration substantially in the form set out in Appendix 5E, duly signed by a director or the secretary of the issuer and a director or secretary of the guarantor, in the case of a guaranteed issue, together with any annual listing fee which is payable and which has not previously been paid (see Appendix 9).

28.17 For the avoidance of doubt, the provisions of Chapter 15 relating to prospectuses apply equally to debt securities.

Chapter 29

DEBT SECURITIES

LISTING DOCUMENTS

Preliminary

29.01 This Chapter does not apply to debt issues to professional investors only. It sets out the Exchange's requirements for the contents of listing documents relating to debt securities. Issuers are reminded that a listing document which is a prospectus within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance must also comply with and be registered in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Applicants should note that they are required to confirm in their applications that all requisite information has been included in the listing document or will be included in the final version submitted for review (see Appendix 5C).

29.02 Issuers are reminded (see rule 28.05) that the final proof of the listing document must be lodged with the Exchange at least 4 clear business days before the provisional hearing date. No material amendment to the final proof of the listing document will be allowed without the consent of the Exchange.

29.02A Any document required under the GEM Listing Rules to be published by a new applicant or guarantor in connection with the application for listing, including but not limited to any announcement (including notice) and any listing document, must be published in accordance with the publication requirements contained in Chapter 16, unless otherwise stated.

29.02AA The Exchange shall be authorised by new applicants and listed issuers to file their "applications" (as defined in section 2 of the Securities and Futures (Stock Market Listing) Rules) and those corporate disclosure materials within the meaning of sections 7(1) and (2) of the Securities and Futures (Stock Market Listing) Rules received by the Exchange with the Commission pursuant to sections 5(2) and 7(3) of the Securities and Futures (Stock Market Listing) Rules respectively and new applicants and listed issuers shall be deemed to have agreed to the above by filing such applications and corporate disclosure materials with the Exchange. The authorisation aforementioned 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, the Exchange may require and new applicants and listed issuers shall execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe.

Definition

29.03 A listing document is defined in rule 1.01 as a prospectus, a circular and any equivalent document (including the composite document in relation to a scheme of arrangement and/or an introduction document) issued or proposed to be issued in connection with an application for listing. Issuers are recommended to consult the Exchange at the earliest opportunity if they are in any doubt as to whether a particular document constitutes a listing document as so defined.

Disclaimer

29.04 Any listing document must contain on its front cover a prominent and legible disclaimer statement in the form set out in rule 2.19.

GEM characteristics

29.05 Any listing document, must contain, at a prominent position in the document, and in bold type, a statement concerning the characteristics of GEM, in the form set out in rule 2.20.

When required

29.06 The methods of listing debt securities required by the GEM Listing Rules to be supported by a listing document are:—

- (1) offers for subscription;
- (2) offers for sale;
- (3) placings; and
- (4) exchanges or substitutions of securities.

29.07 Other methods of listing debt securities are not required by the GEM Listing Rules to be supported by a listing document, but if a listing document is otherwise required or issued, it must comply with the relevant requirements of this Chapter.

Contents

29.08 The listing document is required to include the following:—

- (1) the statements required pursuant to rule 29.04 (disclaimer) and rule 29.05 (GEM characteristics);
- (2) subject to rule 29.09, all of the specific items of information which are set out in Part C of Appendix 1;
- (3) appropriate risk factors, taking into consideration the matters set out in rule 29.12; and
- (4) in respect of a listing document issued in support of an application for listing of debt securities of a class new to listing where those debt securities are offered otherwise than to existing shareholders, the listing document must, as an overriding principle, contain such particulars and information which, according to the particular nature of the issuer and guarantor, in the case of a guaranteed issue, and the debt securities for which listing is sought, is necessary to enable an investor to make an informed assessment of:—
 - (a) the activities, profits and losses, assets and liabilities, financial position, management and prospects of the issuer and guarantor, in the case of a guaranteed issue; and
 - (b) the rights and trading arrangements attaching to such debt securities.

29.09 A bank may omit the items of information required by the following paragraphs of Part C of Appendix 1:—

34, 37(2) to (7), 38, 40, 41(2), (3) and (4), 44 and 51

In addition, the Exchange may be prepared to permit the omission of information where it considers it appropriate. Banks who want to omit any of the prescribed information should therefore consult the Exchange at the earliest possible opportunity.

29.10 Negative statements are required only where so indicated in Part C of Appendix 1.

29.11 The Exchange may require disclosure of such additional or alternative items of information as it considers appropriate in any particular case. Conversely, it may be prepared to permit the omission or modification of items of information to suit the circumstances of a particular case. Consequently, issuers are encouraged, through their Sponsors where so retained, to seek informal and confidential guidance from the Exchange at the earliest opportunity. The issuer shall not publish the listing document until the Exchange has confirmed that it has no further comments thereon.

Risk factors

29.12 The listing document should fully set out, explain and give appropriate prominence to any risk factors which should be drawn to prospective investors' attention, having regard, as a minimum, to the following principles:—

- (1) whether or not there are risks that are relevant to the issuer itself, including as to matters such as reliance on particular products or services, the concentration of expertise within the issuer, continued sources of funding;
- (2) whether or not there are risks that are relevant to the issuer's business, including risks attendant with the products, services or activities themselves and risks relevant to the industry or sectors in which the issuer operates; and
- (3) whether or not there are risks on a macro-scale that are relevant to the issuer, including geographic, economic, political and exchange rates, currency controls or other financial risks relevant to the issuer or the markets in which it operates.

Note: Risk factors should be capable of being read in isolation and should not be accompanied by statements or qualifications concerning steps that the issuer proposes to implement in order to alleviate such risks. Information in this regard may however be contained elsewhere in the listing document.

Responsibility

29.13 Directors of the issuer and of the guarantor, in the case of a guaranteed issue, are required, collectively and individually, to accept full responsibility for the document and a statement (in the form set out in rule 2.18) to this effect must be included in the listing document (adapted, if applicable, to include the directors of the guarantor).

Subsequent events

29.14 The Exchange must be notified immediately if, before the commencement of dealings in any debt securities, the issuer becomes aware that:—

- (1) there has been a significant change affecting any matter contained in the listing document; or
- (2) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the listing document if it had arisen before the listing document was issued.

For this purpose "significant" means significant for the purpose of making an informed assessment of the matters mentioned in rule 29.08(4). The Exchange will consider in each case what action should be taken and whether any publication of the change or new matter is required. In such circumstances, the Exchange may, at its absolute discretion, withdraw any listing approval granted or impose any conditions which it considers appropriate.

Language and format

- 29.15 Every listing document must be in the English language and be accompanied by a Chinese translation or be in the Chinese language and be accompanied by an English translation except that, in the case of a new applicant, the English language version of the listing document may be distributed separately from its Chinese translation or the Chinese language version of the listing document may be distributed separately from its English translation (as the case may be) provided that both are available at each place where, and for so long as, the distribution of such documents takes place.
- 29.16 The information contained in the listing document should be clearly presented and should be in plain language.

Illustrations

- 29.17 A listing document may include illustrations of a pictorial or graphic nature provided that such illustrations are not misleading or likely to mislead in the form and context in which they are included.

Publication

- 29.18 In the case of an offer for sale or an offer for subscription, a formal notice stating the information set out in rule 29.19 must be published on GEM website in accordance with the requirements of Chapter 16 on the date of issue of the listing document.
- 29.19 In every other case, a formal notice stating the following information must be published on the GEM website in accordance with Chapter 16 not less than 2 clear business days before dealings commence:—

- (1) the name and country of incorporation or other establishment of the issuer;
- (2) the name and country of incorporation or other establishment of the guarantor, in the case of a guaranteed issue;
- (3) the amount and title of the debt securities for which listing is sought;
- (4) the address(es) at which copies of the listing document (if any) are available to the public;

Note: Where the issuer intends to rely on the Class Exemption Notice to make a Mixed Media Offer referred to in rule 29.21B(1), rule 29.21B(2) replaces this sub-rule.

- (5) the date of publication of the notice;
- (6) in the case of tap issues, the total amount of the debt securities which would be issued under such an arrangement;
- (7) in the case of a placing, the names of the issuing houses involved in the placing;
- (8) a statement that application has been made to the Exchange for listing of and permission to deal in the debt securities;
- (9) a statement that the formal notice appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for debt securities;
- (10) the date upon which dealings in the debt securities are expected to commence; and

- (11) in the case of an offer for sale or an offer for subscription a statement that applications will only be considered on the basis of the listing document.

29.20 Model forms of formal notices for offers for subscription or sale and placings are set out in Appendix 10 for the guidance of issuers. Issuers are reminded that, where a prospectus has been registered with the Registrar of Companies pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, every formal notice must comply with section 38B of that Ordinance.

29.21 The issuer must make sufficient copies of the listing document available to the public, free of charge, at the address(es) referred to in rule 29.19(4) to satisfy public demand for a reasonable period (in the case of an offer for subscription or offer for sale, not being less than the offer period and, in every other case, not being less than 14 days) from the date on which the formal notice is published. In all cases where the listing document is published in the newspapers, it must be accompanied by a statement that copies of the listing document are available to the public at a stated address(es) for a similar period.

29.21A Listing documents published by a new applicant must include copies available in printed form. A new applicant may, to the extent permitted by law and its own constitutional documents, make additional copies available to the public on CD ROM (together with the relevant application form (if any) in electronic form on the same CD ROM).

Where the new applicant has made additional copies available in electronic form on CD ROM, the new applicant must ensure that:

- (a) the CD ROM includes:
 - (i) a confirmation that the contents of the listing document and relevant application form (if any) in electronic form and in printed form are identical; and
 - (ii) a confirmation that the listing document and relevant application form (if any) are also available in printed form and the addresses of the locations where they are available; and
- (b) any supplemental listing documents or subsequent amendments to the listing document are also made available in both printed form and on CD ROM and the new applicant must also comply with (a) above with all references to "listing document" and "application form" being construed as references to the supplemental listing document and relevant application form or subsequent amendment to the listing document and relevant application form (if any).

Publication of electronic form prospectus and printed application form

29.21B (1) Where an issuer intends to rely on section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap.32L) ("Class Exemption Notice") and issue a printed application form for its debt securities with an electronic form prospectus displayed on certain websites ("Mixed Media Offer"), it must satisfy all the conditions in the Class Exemption Notice. Where the issuer publishes any announcement under the Class Exemption Notice, the announcement must be published in accordance with rules 16.17 and 16.18. There is no need to clear the announcement with the Exchange.

(2) Where the issuer intends to offer debt securities to the public relying on the Class Exemption Notice, the information required by rule 29.19(4) shall be replaced by the following information:

- (a) that the issuer intends to rely on the Class Exemption Notice and issue a printed application form for its debt securities without it being accompanied by a printed form prospectus relating to the offer;
- (b) that throughout the offer period, prospective investors may access and download the electronic form prospectus relating to the offer from either the issuer's website or the GEM website;
- (c) the address of each of the issuer's website and the GEM website, the place on the website where the electronic form prospectus may be accessed and how that prospectus may be accessed;
- (d) that throughout the offer period, copies of the printed form prospectus will be available for collection at specified locations, free of charge, upon request by any member of the public;
- (e) the particulars of the specified locations; and

Note: "Specified locations" means the depository counter of HKSCC, the designated branches of the placing banks specified in the prospectus and the principal place of business of the co-ordinator for the offer specified in the prospectus.

- (f) that throughout the offer period, at least 3 copies of the printed form prospectus will be available for inspection at every location where the printed application forms are distributed.

29.22 In the case of an offer for subscription or an offer for sale, an announcement of the results of the offer, the basis of allotment of the debt securities (including the extent to which securities have been taken up by the underwriters (if any) and their close associates) and the amount actually issued if not underwritten must be published on the GEM website, in accordance with the requirements of Chapter 16, as soon as possible but, in any event, not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the date on which the allotment letters or other documents of title are posted.

29.23 In the case of an offer for subscription or an offer for sale by tender, an announcement of the striking price must be published on the GEM website, in accordance with the requirements of Chapter 16, as soon as possible but, in any event, not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the date on which the allotment letters or other documents of title are posted.

29.24 In the case of a placing, an announcement of the results of the placing (containing, as applicable, the details set out in rule 10.12(4)) must be published on the GEM website in accordance with the requirements of Chapter 16 prior to commencement of dealings in the securities so placed.

Chapter 30

DEBT SECURITIES

DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

Introduction

30.01 This Chapter deals with debt issues to Professional Investors only. It sets out the qualifications for listing, application procedures, contents of listing documents and the obligations that apply after listing.

Listing Approval

30.02 A listing application may be approved by

- (a) A member of the Listing Division to whom the Executive Director – Listing has delegated authority;
- (b) The Executive Director – Listing (who may also delegate approval authority within the Listing Division); or
- (c) The Listing Committee.

Applicants' Qualifications for Listing

30.03 An issuer must be a company whose equity securities are listed on GEM or will be listed on GEM before any debt securities are listed.

30.04 If an issuer does not meet the eligibility criteria above it is eligible for a listing of guaranteed debt securities if:

- (a) It is a body corporate that is validly incorporated or established; and
- (b) It is wholly owned by a body corporate that meets the eligibility criteria above; and
- (c) Its owner guarantees its obligations; and
- (d) It and its owner agree to comply with the GEM Listing Rules.

Securities' Qualifications for Listing

30.05 The debt securities must be freely transferable with a denomination of at least HK\$500,000 (or equivalent in other currencies).

30.06 The debt securities must have been validly authorised.

30.07 The debt securities:

- (a) must comply with the law of the place where the issuer is incorporated or established; and
- (b) must comply with the issuer's memorandum and articles of association or equivalent documents.

30.08 If an issuer is issuing guaranteed debt securities under Rule 30.04 the guarantee:

- (a) Must have been validly authorised;
- (b) Must comply with the guarantor's memorandum and articles of association or equivalent documents, if the guarantor is a body corporate; and
- (c) Must comply with the law of the place where the guarantor is incorporated or established.

Convertible Debt Securities

30.09 This section sets out additional requirements that apply if debt securities are convertible.

30.10 If debt securities are convertible they must be convertible into :

- (a) Shares listed or to be listed on the Exchange or another stock exchange; or
- (b) Depositary receipts listed or to be listed on the Exchange or another stock exchange; or
- (c) Other assets that the Exchange has agreed in writing are acceptable.

30.11 If debt securities are convertible into shares that have not yet been issued:

- (a) The issuance of the shares must have been validly authorised; and
- (b) The listing of the shares must have been validly authorised.

30.12 If debt securities are convertible into shares (or into depositary receipts) the terms of the issue must provide for appropriate adjustments to the conversion terms if there is a change in the capital of the issuer of those shares or a change in the capital of the issuer whose shares underlie the depositary receipts.

30.13 The Exchange treats debt securities with non-detachable warrants to subscribe for equity securities or other assets as convertible securities.

Options, Warrants and Similar Rights

30.14 This section sets out additional requirements that apply to options, warrants or similar rights.

30.15 The securities underlying the options, warrants or similar rights must be:

- (a) Debt securities that are listed or to be listed on the Exchange;
- (b) Debt securities listed or to be listed on another stock exchange; or
- (c) Other debt security that the Exchange has agreed in writing is acceptable.

30.16 If the underlying debt securities have not yet been issued:

- (a) Their issuance must have been validly authorised; and
- (b) Any listing of them must have been validly approved.

30.17 If options, warrants or similar rights are convertible into debt securities, the terms of the issue must provide for appropriate adjustments to the conversion rights if there is a change in those debt securities.

Listing Document

30.18 This section sets out the information that an issuer must disclose in its listing document and other requirements relating to the listing document. For debt issuance programmes these requirements apply to the base listing document and the supplementary listing document for each issue under the programme.

30.19 A listing document must contain a disclaimer statement:

“Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, 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 document.”

The disclaimer must be legible and appear on the front cover or inside cover of the listing document.

30.20 A listing document must contain the following statement:

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

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

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

30.21 A listing document must contain a responsibility statement:

“This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.”

The Exchange may require appropriate modification to the statement if an issue is guaranteed. The Exchange may allow others to make the statement but an issuer must seek prior consent for this.

30.22 A listing document must contain the information that the investors an issuer is offering the securities to would customarily expect it to contain. It need not comply with Appendix 1, part C.

30.23 A listing document must contain any additional information that the Exchange requires.

30.24 A listing document must contain a statement limiting its distribution to Professional Investors only.

30.25 A listing document must be in English or Chinese.

30.26 A listing document may be in printed or electronic form.

Application Procedures

30.27 This section sets out the procedures that an issuer must follow to apply for listing of securities or listing of a debt programme. An application involves determining whether an issuer is eligible for listing and whether securities are eligible for listing. The Exchange will use the information that an issuer supplies to make these assessments. The documents an issuer submits must be in English or Chinese or translated into one of these languages.

30.28 An issuer must submit the following:

- (a) Completed application form. If an issue is guaranteed the guarantor must also complete the application form. This is set out in Appendix 5, part C.
- (b) Listing fee as provided in Appendix 9.
- (c) Draft listing document.
- (d) Draft formal notice of listing.
- (e) If an issuer is not listed on GEM a copy of its memorandum and articles of association, certificate of incorporation or equivalent to show that the issuer is validly incorporated or established.
- (f) If debt securities have been authorised by shareholders then a copy of the resolution.

- (g) A copy of the resolutions by the issuer's board of directors authorising
 - (1) the issue and allotment of the debt securities
 - (2) the application for listing
 - (3) issuing the listing document.
- (h) If an issue is guaranteed, a copy of the resolutions by the guarantor's board of directors authorising
 - (1) the listing application
 - (2) issuing of the listing document.
- (i) If an issue is convertible into shares a copy of the approvals authorising the issue and listing of those shares.

An issuer may submit drafts of the application form in (a) and the authorisations and resolutions in (f), (g) and (h) to enable the Exchange to consider whether an issue and issuer are eligible for listing. The final resolutions and authorisations in (f), (g) and (h) may be submitted after the listing application but before listing.

30.29 After the Exchange has considered an application it will issue a Listing Eligibility letter. In this letter it will advise an issuer whether it and its debt securities are eligible for listing. The Exchange will also indicate whether it requires inclusion of additional information in the listing document. The letter is valid for three months from the date of issue. For routine applications the Exchange aims to issue this letter 5 business days after it receives the application.

30.30 An issuer must not issue the listing document in final form until the Exchange has confirmed that the issuer may issue it. A draft may be circulated for the purpose of arranging underwriting, syndication and marketing of the offering to Professional Investors.

30.31 In the period from when the listing document is issued to the date of listing an issuer must advise the Exchange of any material event that it would have disclosed in the listing document if it had been aware of the event before the listing document was finalised.

30.32 An issuer must publish a formal notice on listing. The notice must be in English or Chinese. A model form of notice is set out in Appendix 10.

Programmes

30.33 This section sets out the procedures for listing securities under a programme that the Exchange has approved.

30.34 A debt programme that the Exchange has approved is valid for issuing debt securities for one year after the date it is published.

30.35 An issuer must submit the pricing supplement for an issue under a programme before 2:00 pm of the business day before listing is required to become effective. It must not issue the pricing supplement until the Exchange has confirmed that the issuer may issue it.

30.36 The Exchange will approve the listing of all securities issued under a valid programme subject to the issuer:

- (a) Notifying it of the final terms of each issue;
- (b) Confirming that the securities have been issued; and
- (c) Paying the appropriate listing fee before listing.

Continuing Obligations

30.37 This section sets out the obligations that apply to an issuer if the Exchange agrees to list its securities. If the securities are guaranteed then the guarantor must also comply with these obligations. An issuer must comply with these obligations

- (a) until the securities expire or
- (b) until they are withdrawn from listing.

30.38 If an issuer is required to announce information then

- (a) it must do so by an announcement under Rules 16.17 and 16.18, except that the announcement may be in English or Chinese only.
- (b) The announcement must include the following disclaimer:

“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 document.”

30.39 An issuer must comply with the GEM Listing Rules in force from time to time.

30.40 An issuer must immediately, after consultation with the Exchange, announce any information which

- (a) [Repealed 1 January 2013]
- (b) is necessary to avoid a false market in its listed debt securities where in the view of the Exchange there is or there is likely to be a false market in its listed debt securities.

Note: If an issuer believes that there is likely to be a false market in its listed debt securities, it must contact the Exchange as soon as reasonably practicable.

- (c) [Repealed 1 January 2013]

30.40A If the securities are guaranteed, the guarantor must immediately announce any information which may have a material effect on its ability to meet the obligations under the debt securities.

30.40B(a) Where an issuer is required to disclose inside information under the Inside Information Provisions, it must also simultaneously announce the information.

(b) An issuer must simultaneously copy to the Exchange any application to the Commission for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the Commission's decision copy it to the Exchange.

30.40C An issuer must, as soon as reasonably practicable, apply for a trading halt or a trading suspension where there is information under rule 30.40 or rule 30.40A, or inside information which must be disclosed under the Inside Information Provisions, or inside information which is the subject matter of an application to the Commission for a waiver but its confidentiality has been lost, and the information cannot be announced promptly.

30.41 An issuer must announce as soon as possible:

(a) If aggregate redemptions or cancellations exceed 10% and every subsequent 5% interval of an issue.

(b) Any public disclosure made on another stock exchange about its debt securities.

30.42 An issuer must notify the Exchange in advance of any proposal to

(a) Replace a trustee for bondholders; or

(b) Amend the trust deed; or

(c) Amend the terms of convertible debt securities unless that amendment occurs automatically in accordance with the terms of the debt securities.

An issuer must not proceed with any proposed change until the Exchange has advised whether it will impose conditions for the change.

30.43 An issuer must notify the Exchange as soon as possible if

(a) It has repurchased and cancelled all of an issue of its listed debt securities; or

(b) It has redeemed all of an issue of its listed debt securities prior to the maturity date; or

(c) All of an issue of convertible debt securities has been fully converted.

The Exchange will then formally delist the debt securities.

30.44 An issuer must notify the Exchange as soon as possible if its debt securities are listed on another stock exchange.

30.45 An issuer must provide the Exchange with a copy of any circular that is sent to bondholders or to any trustee. If the circular is published on a website and the issuer notifies the Exchange when it is published on that site it does not have to send it a printed copy.

30.46 If an issuer is a body corporate it must provide the Exchange with its annual accounts and any interim report when they are issued. An issuer is exempt from this requirement if its securities are guaranteed by a body corporate in which case it must provide the guarantor's annual accounts and interim report. The Exchange will accept a printed or electronic copy. If the annual accounts or interim report are published on a website and the issuer notifies the Exchange when they are published on that site it does not have to send it a printed copy.

Authorised Representative

30.47 An issuer must appoint two authorised representatives to communicate with the Exchange and must notify the Exchange of any change of representative. The representatives do not have to be resident in Hong Kong.

Other

30.48 If an issuer or its securities does not comply with these requirements the Exchange will not list them unless it agrees to modify these requirements.

30.49 The Exchange may accept or reject a listing application or make listing subject to additional conditions.

30.50 The Exchange may impose additional obligations on an issuer or guarantor. The Exchange will allow an issuer or guarantor to make representations before imposing requirements on it that are not imposed on issuers of debt securities generally.

Definitions

30.51 In this Chapter the following definitions apply:

"bearer securities"	securities transferable to bearer
"convertible debt securities"	debt securities convertible into or exchangeable for equity securities or other property and debt securities with non-detachable options, warrants or similar rights to subscribe or purchase equity securities or other property attached.
"debt issuance programmes"	issues of debt securities where only part of the maximum principal amount or aggregate number of securities under the issue is issued initially and a further tranche or tranches may be issued subsequently
"debt securities"	debenture or loan stock, debentures, bonds, notes and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities.

“Professional Investor”

- (a) For a person in Hong Kong a professional investor as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance (excluding those prescribed by rules made under section 397 of that Ordinance); or
- (b) For a person outside Hong Kong, a professional investor is a person to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction.

“stock exchange”

Any stock exchange that is a member of the World Federation of Exchanges

Chapter 31

DEBT SECURITIES

CONTINUING OBLIGATIONS

Preliminary

- 31.01 This Chapter does not apply to debt issues to professional investors only. An issuer of debt securities and its guarantor, in the case of a guaranteed issue, shall comply (and each undertakes pursuant to the issuer's application for listing (Appendix 5C), once any such debt securities have been admitted to listing, to comply), at all times, with all of the requirements of the GEM Listing Rules relevant to issuers of debt securities, save for any that are stated not to apply.

Notes: 1 References in this Chapter to issuers shall apply equally to guarantors in the case of guaranteed issues.

2 If the issuer or guarantor, in the case of a guaranteed issue, has equity securities listed on GEM, it is also obliged to comply with all of the requirements of the GEM Listing Rules relevant to issuers of equity securities (see Chapter 17).

- 31.02 The Exchange is available to all issuers to help and advise in the strictest confidence on the interpretation of the requirements of their continuing obligations.

- 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 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.

- 31.03A An issuer of listed debt securities may avail itself of the provisions of rule 16.04A.

- 31.03B An issuer of listed debt securities may avail itself of the provisions of rule 16.04B.

Continuing disclosure obligations

General obligation of disclosure

- 31.04 Generally and apart from compliance with all the specific requirements of the GEM Listing Rules, an issuer must comply with the following:

(1) [Repealed 1 January 2013]

- (2) Without prejudice to rule 31.05, where in the view of the Exchange there is or there is likely to be a false market in its listed debt securities, an issuer must, as soon as reasonably practicable after consultation with the Exchange, announce the information necessary to avoid a false market in its securities.

Note: If an issuer believes that there is likely to be a false market in its listed debt securities, it must contact the Exchange as soon as reasonably practicable.

(3) [Repealed 1 January 2013]

- (4) If the securities are guaranteed, the guarantor must immediately announce any information which may have a material effect on its ability to meet the obligations under the debt securities.
- (5)
 - (a) Where an issuer is required to disclose inside information under the Inside Information Provisions, it must also simultaneously announce the information.
 - (b) An issuer must simultaneously copy to the Exchange any application to the Commission for a waiver from disclosure under the Inside Information Provisions, and promptly upon being notified of the Commission's decision copy the Exchange with the Commission's decision.
- (6) An issuer and its directors must take all reasonable steps to maintain strict confidentiality of inside information until it is announced.
- (7) An issuer must not divulge any information in such a way as to place in a privileged dealing position any person or class or category of persons. It must not release any information in such a way that Exchange transactions may be entered into at prices which do not reflect the latest available information.
- (8) An issuer and its directors must seek to ensure that dealings do not take place between parties one of whom does not have inside information which the other possesses.
- (9)
 - (a) If, during the period of any profit forecast made by the issuer:—
 - (i) an event occurs which, had it been known when the profit forecast was made, would have caused any of the assumptions upon which the forecast is based to have been materially different; or
 - (ii) profit or loss is generated by some activity outside the issuer's ordinary and usual course of business (which was not disclosed as anticipated in the document containing the profit forecast) and which materially contributes to or reduces, or is likely to materially contribute to or reduce, the profits for such period,

the issuer must promptly announce the event and relevant details. In the announcement, the issuer must also indicate the likely impact of that event or activity on the profit forecast already made.
 - (b) The issuer must announce the information under rule 31.04(9)(a) as soon as it becomes aware that it is likely that the contribution to or reduction in the profits made or to be made by profit or loss generated or to be generated as aforesaid will be material.

Notes: 1 *[Repealed 1 January 2013]*

2 *[Repealed 1 January 2013]*

3 *[Repealed 1 January 2013]*

4 *[Repealed 1 January 2013]*

5 *[Repealed 1 January 2013]*

6 *[Repealed 1 January 2013]*

7 *Any obligation to inform holders of the issuer's debt securities or the public will be satisfied by the information being announced in accordance with rule 31.03.*

- 8 [Repealed 1 January 2013]
- 9 [Repealed 1 January 2013]
- 10 [Repealed 1 January 2013]
- 11 [Repealed 1 January 2013]
- 12 [Repealed 1 January 2013]
- 13 [Repealed 1 January 2013]
- 14 [Repealed 1 January 2013]
- 15 [Repealed 1 January 2013]

Response to enquiries

31.05 Where the Exchange makes enquiries concerning unusual movements in the price or trading volume of its listed debt securities, the possible development of a false market in its securities, or any other matters, the issuer must respond promptly as follows:

- (1) provide to the Exchange and, if requested by the Exchange, announce, any information relevant to the subject matter(s) of the enquiries which is available to it, so as to inform the market or to clarify the situation; or
- (2) if, and only if, the directors of the issuer, having made such enquiry with respect to the issuer as may be reasonable in the circumstances, are not aware of any matter or development that is or may be relevant to the unusual trading movement of its listed debt securities, or information necessary to avoid a false market, or any inside information which needs to be disclosed under the Inside Information Provisions, and if requested by the Exchange, make an announcement containing a statement to that effect (*see note 1 below*).

Notes: 1. The form of the announcement referred to in rule 31.05(2) is as follows:—

"This announcement is made at the request of The Stock Exchange of Hong Kong Limited. 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.

We have noted [the recent increases/decreases in the price and/or trading volume of the debt securities of the Company] or [We refer to the subject matter of the Exchange's enquiry]. Having made such enquiry with respect to the issuer as is reasonable in the circumstances, we confirm that we are not aware of [any reasons for these movements] or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance.

This announcement is made by the order of the Company. The Company's Board of Directors collectively and individually accepts responsibility for the accuracy of this announcement."

2. *An issuer does not need to disclose inside information under the Rules if disclosure of the information is exempted under the Inside Information Provisions.*

3. *The Exchange reserves the right to direct a trading halt of an issuer's securities if an announcement under rule 31.05(1) or 31.05(2) cannot be made promptly.*

31.05A Without prejudice to the Exchange's ability to direct the halt, suspension and resumption of trading in an issuer's listed debt securities, an issuer and/or the guarantor of the issued debt securities must, as soon as reasonably practicable, apply for a trading halt or a trading suspension in any of the following circumstances where an announcement cannot be made promptly:

- (1) the issuer and/or the guarantor has information which must be disclosed under rule 31.04(2) or (4); or
- (2) the issuer and/or the guarantor reasonably believes that there is inside information which must be disclosed under the Inside Information Provisions; or
- (3) circumstances exist where the issuer and/or the guarantor reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of inside information which:
 - (a) is the subject of an application to the Commission for a waiver; or
 - (b) falls within any of the exceptions to the obligation to disclose inside information under the Inside Information Provisions in section 307D(2) of the SFO.

Note: An issuer and/or the guarantor does not need to disclose inside information under the Rules if disclosure of the information is exempted under the Inside Information Provisions.

Dual listing disclosure obligation

31.06 If debt securities of the issuer are also listed on another stock exchange, the Exchange must be simultaneously informed of any information released to any of such other exchanges and the issuer must ensure that such information is announced at the same time as it is released to the other markets.

Winding-up and liquidation

31.07 The issuer shall inform the Exchange of the happening of any of the following events, as soon as it comes to its attention:—

- (1) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any major subsidiary;
- (2) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any major subsidiary;

- (3) the passing of any resolution by the issuer, its holding company or any major subsidiary that it be wound-up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
- (4) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets which in aggregate value represents an amount in excess of 15% of the consolidated net tangible assets of the group as shown in the issuer's latest audited consolidated financial statement; or
- (5) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets which in aggregate value represents an amount in excess of 15% of the consolidated net tangible assets of the group as shown in the issuer's latest audited consolidated financial statement.

For the purposes of this rule, a "major subsidiary" means a subsidiary representing 15% or more of the consolidated net tangible assets or pre-tax trading profits of the group as shown in the issuer's latest audited consolidated financial statement.

General matters relevant to the issuer's debt securities

Changes of rights attaching to securities

- 31.08 An issuer shall inform the Exchange and make an announcement concerning any changes in the rights attaching to any class of listed debt securities (including any change in the rate of interest carried) and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable.

Altering the terms of the existing warrants

- 31.09 Without prejudice to the generality of rule 31.08, where an issuer proposes to alter the terms of existing options or warrants to subscribe debt securities, the issuer must comply with the provisions of rule 33.04.

Altering the terms of convertible debt securities

- 31.10 Without prejudice to the generality of rule 31.08, where an issuer proposes to alter the terms of existing convertible debt securities, the issuer must comply with the provisions of rule 34.05.

Decisions to pass interest payments

- 31.11 An issuer shall announce details of any decision to pass any interest payment on listed debt securities as soon as reasonably practicable after the decision has been made.

Purchase, redemption or cancellation

- 31.12 An issuer shall announce as soon as practicable after any purchase, redemption or cancellation by the issuer, or any member of the group, of its listed debt securities. The announcement should also state the amount of the relevant debt securities outstanding after such operations.

Note: Purchases of debt securities may be aggregated and an announcement should be made when 5% of the outstanding amount of a debt security has been acquired. If the issuer or the group purchases further amounts of that security an announcement should be made whenever an additional 1% has been acquired.

Other listings

- 31.13 An issuer shall inform the Exchange immediately and publish an announcement, at such time as any of its debt securities (or the debt securities of any of its subsidiaries) become listed or dealt in on any other stock exchange or securities market other than GEM, stating which stock exchange or securities market and of any consequences to the holders of its listed debt securities.

Notification

After board meetings

- 31.14 The issuer shall inform the Exchange and publish an announcement immediately after approval by or on behalf of the board of directors or other governing body of:—

- (1) any decision to pass any interest payment on listed debt securities;
- (2) any proposed change in the capital structure;

Note: Once a decision has been made to submit any such proposal to the board, no dealings in any of the relevant debt securities should be effected by or on behalf of the issuer or any of its subsidiaries until the proposal has been announced or abandoned.

- (3) any new issues of debt securities and, in particular, any guarantee or security in respect thereof;

Note: The notification of a new issue may be delayed while a marketing or underwriting is in progress (see also Note 1 to rule 31.04).

- (4) any drawing, cancellation or redemption of listed debt securities; and
- (5) any decision to change the general character or nature of the business of the issuer or group.

Note: In discharging the obligations as set out in this rule, regard should be had to the provisions of rules 2.21 and 2.22, in particular as regards the Exchange's requirements in respect of the communication of information of an urgent nature.

Changes

- 31.15 The issuer shall inform the Exchange and publish an announcement immediately after (and for the purpose of providing details of) any decision made with regard to:—

- (1) any proposed material alteration of the issuer's memorandum or articles of association or equivalent documents which would affect the rights of holders of its listed debt securities;
- (2) any changes in its directorate, and shall procure that each new director or member of its governing body shall sign and lodge with the Exchange no later than 14 business days prior to the proposed date of his appointment a declaration, undertaking and acknowledgement in the relevant form set out in Appendix 6;
- (3) any change in the rights attaching to any class of listed debt securities (including any change in the rate of interest carried by a debt security) and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable; and

- (4) any change in its secretary, auditors or registered office or registered place of business in Hong Kong.

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.

Proposed drawings and closure of books

- 31.17 The issuer shall inform the Exchange in advance of all proposed drawings to effect partial redemptions, and, in the case of registered debt securities, the date on which it is proposed to close the books for the purpose of making a drawing. The Exchange must be informed immediately of the amount of the debt securities outstanding after any such drawing has been made.

Amendments to company information sheet

- 31.18 An issuer (but not for the avoidance of doubt a guarantor in the case of a guaranteed issue) shall submit to the Exchange (in the electronic format specified by the Exchange from time to time) for publication on the GEM website a revised company information sheet, in the prescribed form set out in Appendix 5F, together with a hard copy duly signed by or on behalf of each of the directors of the issuer, as soon as reasonably practicable after any particulars on the form previously published cease to be accurate.

Announcements, circulars and other documents

General

- 31.19 In addition to the specific requirements set out in the GEM Listing Rules, the issuer shall:—
- (1) submit to the Exchange copies of drafts, for review before they are issued, of any announcements or advertisements relating to the issue of new or further debt securities or any announcements or advertisements the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed debt securities (including a suspension of dealings);
 - (2) submit to the Exchange copies of drafts, for review before they are issued, of any proposed amendment to its memorandum or articles of association or equivalent document which would affect the rights of the holders of its listed debt securities; and
 - (3) not issue any of such documents until the Exchange has confirmed to the issuer that it has no further comments thereon.

Notes: 1 4 copies of each document are required, which should be submitted in sufficient time for review and, if necessary, re-submission prior to dissemination or final printing.

- 2 *Every announcement or advertisement which has been reviewed by the Exchange in accordance with the provisions of rule 31.19(1) must contain on the front cover or on the top of the announcement or advertisement a prominent and legible disclaimer statement in the form set out in rule 2.19.*

31.19A The Exchange shall be authorised by the issuer to file “applications” (as defined in section 2 of the Statutory Rules) and those corporate disclosure materials within the meaning of sections 7(1) and (2) of the Statutory Rules received by the Exchange with the Commission pursuant to sections 5(2) and 7(3) of the Statutory Rules respectively and issuers shall be deemed to have agreed to the above by filing such applications and corporate disclosure materials with the Exchange. The authorisation aforementioned 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, the issuer undertakes to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe.

Presentation of information

31.20 Without prejudice to any specific requirements of the GEM Listing Rules as to content or responsibility for the document in question, any announcement or corporation communication required pursuant to the GEM Listing Rules must be prepared having regard to the following general principles:—

- (1) the information contained in the document must be clearly presented and in plain language; and
- (2) the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the issuer must not, among other things:—
 - (a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;
 - (b) present favourable possibilities as certain or as more probable than is likely to be the case;
 - (c) present projections without sufficient qualification or explanation; or
 - (d) present risk factors in a misleading way.

Forwarding of documents, circulars, etc.

31.21 The issuer shall forward to the Exchange:—

- (1) 1 copy of each of the English language version and the Chinese language version of:—
 - (a) [Repealed 1 September 2008]
 - (b) the annual report and accounts and, where applicable, the summary financial report at the same time as they are despatched to the holders of its listed debt securities with registered addresses in Hong Kong; and
 - (c) any half-year or quarterly report prepared by the issuer as soon as possible after it has been approved by the board of directors of the issuer;

Note: Wherever practicable the issuer should provide the Exchange with such reasonable number of additional copies of these documents as the Exchange may request.

- (2) 1 copy of notices of meetings and notices by advertisement to holders of its bearer debt securities at the same time as they are issued; and
- (3) upon request by the Exchange, such number as may be requested of certified copies of all resolutions of the holders of listed debt securities, within 15 days after they are passed.

Circulars to holders of debt securities

- 31.22 (1) In the event of a circular being issued to the holders of any of the issuer's listed debt securities, the issuer shall issue a copy or summary of such circular to the holders of all its other debt securities listed on the Exchange (not being bearer debt securities) unless the contents of such circular are of no material concern to such other holders.

Note: Where there is a class of listed debt securities in bearer form, it will be sufficient to publish on the GEM website in accordance with Chapter 16 an announcement referring to the circular and giving an address or addresses from which copies can be obtained.

- (2) The issuer must ensure that all necessary facilities and information are available to enable holders of its listed debt securities to exercise their rights. In particular, it must inform holders of the holding of meetings which they are entitled to attend, enable them to exercise their right to vote, where applicable, and publish on the GEM website in accordance with Chapter 16 notices or distribute circulars giving details of the allocation and payment of interest in respect of such securities, the issue of new debt securities (including arrangements for the allotment, subscription, renunciation, conversion or exchange of such debt securities) and repayment of debt securities.

Trading and settlement

Registration services, issue of certificates, registration and other fees

- 31.23 The issuer (or its paying agent or registrar) must provide a standard securities registration service in relation to its listed securities in accordance with rule 31.27. The issuer (or its paying agent or registrar) may, but shall not be obliged to, provide an optional securities registration service in accordance with rule 31.28 and/or an expedited securities registration service in accordance with rule 31.29. The issuer (or its paying agent or registrar) must also provide a bulk securities registration service in accordance with rule 31.30 and a certificate replacement service in accordance with rule 31.31. The issuer shall ensure that where the issuer (or its paying agent or registrar) charges a fee for registering transfers or cancelling, splitting, consolidating or issuing definitive certificates relating to the issuer's listed securities, such fee must not exceed, in total, the applicable amounts prescribed in rules 31.24 to 31.31.
- 31.24 The issuer shall ensure that where the issuer (or its paying agent or registrar) charges a fee for registering other documents relating to or affecting the title to the issuer's listed securities (e.g. probate, letters of administration, certificates of death or marriage, powers of attorney or other instruments or memoranda and articles of association in respect of a new corporate holder) or for marking or noting documents, such fee must not exceed HK\$5 per item per register.

Note: "per item" shall be defined to mean each of such other documents submitted for registration.

- 31.25 It is the responsibility of an issuer whose paying agent or registrar is in breach of any of rules 31.23 to 31.33 to report such breach to the Exchange as soon as it becomes aware of the breach and the Exchange reserves the right to communicate such information to the Commission.

- 31.26 Save as provided above the issuer shall ensure that neither it nor its paying agent or registrar or other agents will charge holders or transferee any other fees for any dealings with them in connection with the transfer or transmission of its listed securities.
- 31.27 (1) Standard securities registration service: The issuer shall (or shall procure that its paying agent or registrar shall) issue definitive certificates arising out of a registration of transfer or the cancelling, splitting, consolidating or issuing (otherwise than pursuant to rule 31.31 of certificates within:—
- (a) 10 business days of the date of expiration of any right of renunciation; or
 - (b) 10 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the standard securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$2.50 multiplied by the number of certificates issued; or
 - (b) HK\$2.50 multiplied by the number of certificates cancelled.
- 31.28 (1) Optional securities registration service: The issuer (or its paying agent or registrar) may, but shall not be obliged to, provide an optional securities registration service under which definitive certificates are required to be issued within:—
- (a) 6 business days of the date of expiration of any right of renunciation; or
 - (b) 6 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the optional securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$3.00 multiplied by the number of certificates issued; or
 - (b) HK\$3.00 multiplied by the number of certificates cancelled.
- (3) If the issuer (or its paying agent or registrar) fails to effect any registration within the period of 6 business days specified in rule 31.28(1), the fee for such registration shall be that determined in accordance with rule 31.27(2).
- 31.29 (1) Expedited securities registration service: The issuer (or its paying agent or registrar) may, but shall not be obliged to, provide an expedited securities registration service under which definitive certificates are required to be issued within:—
- (a) 3 business days of the date of expiration of any right of renunciation; or
 - (b) 3 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the expedited securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$20.00 multiplied by the number of certificates issued; or
 - (b) HK\$20.00 multiplied by the number of certificates cancelled.

- (3) If the issuer (or its paying agent or registrar) fails to effect any registration within the period of 3 business days specified in rule 31.29(1), the registration shall be performed free of charge.
- 31.30 (1) Bulk securities registration service: The issuer shall (or shall procure that its paying agent or registrar shall) provide a bulk securities registration service, for transfers of listed securities representing 2,000 or more board lots of the issuer's listed securities where the securities are being transferred from the name of a single holder into the name of another or the same single holder. Certificates shall be issued pursuant to the bulk securities registration service within 6 business days of the receipt of properly executed transfers or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the bulk securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$2.00 multiplied by the number of certificates issued; or
- (b) HK\$2.00 multiplied by the number of certificates cancelled.
- 31.31 Certificate replacement service: The issuer shall (or shall procure that its paying agent or registrar shall) provide a certificate replacement service. The fee for replacing certificates:—
- (1) representing securities with a market value of HK\$200,000 or less (at the time the request for replacement is made) for a person named on the register shall not exceed HK\$200.00, plus the costs incurred by the issuer (or its paying agent or registrar) in publishing the required public notice; or
- (2) either:—
- (a) representing securities with a market value of more than HK\$200,000 (at the time the request for replacement is made); or
- (b) for a person not named on the register (irrespective of the market value of the securities concerned);
- shall not exceed HK\$400.00, plus the costs incurred by the issuer (or its paying agent or registrar) in publishing the required public notice.
- 31.32 For the purposes of rules 31.23 to 31.31:—
- (1) the expression "business day" shall exclude Saturdays, Sundays and public holidays in Hong Kong; and
- (2) in computing any period of business days, such period shall be inclusive of the business day on which the relevant transfers, certificates or other documents were received (or, if such documents were not received on a business day, the business day next following their receipt) and of the business day on which the relevant certificates were delivered or otherwise made available.
- 31.33 References in rules 31.23 to 31.32 to the issuer's registrar or paying agent providing a service, or to the issuer procuring that its registrar or paying agent shall provide a service, shall not relieve the issuer of any obligations in respect of any acts or omissions of its registrar or paying agent.

Trading limits

- 31.34 Where the market price of the debt securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Miscellaneous obligations

Paying agent

- 31.35 An issuer or its guarantor must appoint and maintain a paying agent and/or, where appropriate, a registrar in Hong Kong until the date on which no listed debt security is outstanding, unless the issuer itself performs these functions. Such paying agent must provide facilities for obtaining new debt securities, in accordance with the terms and conditions of the debt securities, to replace those debt securities which have been damaged, lost, stolen or destroyed and for all other purposes provided for in the terms and conditions of the debt securities.

Equality of treatment

- 31.36 An issuer shall ensure equality of treatment for all holders of its listed debt securities of the same class in respect of all rights attaching to such securities.

Note: In the case of overseas issuers, the Exchange may, in exceptional circumstances, permit early repayment contrary to this rule, provided that such repayment is in accordance with national law.

Financial information

Availability of annual report and accounts

- 31.37 If the documents of title to any listed debt securities are in bearer form, the time and place in Hong Kong at which copies of the accounts of the issuer and auditors' report and directors' report thereon may be obtained without charge must be published on the GEM website in accordance with Chapter 16. Where another company provides a guarantee for the debt security or where the debt security is convertible, exchangeable or carries subscription rights which are exercisable into the securities of another company, copies of the accounts of that other company and of the auditors' report and directors' report thereon must also be so available and the advertisement must also state this.

Distribution of annual report and accounts

- 31.38 (1) If the issuer is incorporated or otherwise established in Hong Kong it shall send to:—

- (a) the trustee or fiscal agent in respect of its listed debt securities; and
- (b) every holder of its listed debt securities not being bearer debt securities),

a copy of either (i) its annual report including its annual accounts and, where the issuer prepares consolidated financial statements as referred to in section 379(2) of the Companies Ordinance, the consolidated financial statements or (ii) its summary financial report, not less than 21 days before the date of the issuer's annual general meeting. 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 accounts, provided that it complies with 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. An issuer, whose equity securities are not listed, may not distribute a summary financial report in place of its annual report.

- (2) Nothing in rule 31.38(1) shall require the issuer to send any of the documents referred to therein to:—

- (a) a person of whose address the issuer is unaware; or
- (b) more than one of the joint holders of any of its listed debt securities.

Notes: 1 The directors' report, auditors' report, annual accounts and, where applicable, summary financial report must be in the English language and must be accompanied by a Chinese translation or be in the Chinese language accompanied by an English translation.

2 Sections 429 and 431 of the Companies Ordinance require the directors of a Hong Kong issuer to lay the issuer's annual financial statements before its members at its annual general meeting within the period of 6 months after the end of the financial year or accounting reference period to which the annual financial statements relate.

3 The Exchange may at its discretion suspend dealings in or cancel the listing of the debt securities of companies which fall into arrears in the issue of its directors' report and accounts. If the listed issuer has significant interests outside Hong Kong it may apply for an extension of the 6 month period. However, attention of a Hong Kong issuer is drawn to section 431 of the Companies Ordinance which requires any extension of the time limit to be approved by the Court of First Instance.

4 The issuer must send 1 copy of each of the English language version and the Chinese language version of the directors' report and annual accounts and, where applicable, the summary financial report to the Exchange at the same time as they are sent to the holders of the issuer's listed debt securities with registered addresses in Hong Kong (see rule 31.21).

31.39 (1) If the issuer is incorporated or otherwise established outside Hong Kong it shall send to:—

(a) the trustee or fiscal agent in respect of its listed debt securities; and

(b) every holder of its listed debt securities (not being bearer securities),

a copy of either (i) the annual report and accounts and, where the issuer prepares group accounts, its group accounts, together with a copy of the auditors' report or (ii) the summary financial report not less than 21 days before the date of the issuer's annual general meeting nor more than 6 months after the end of the financial year to which they relate.

(2) The issuer shall make up its annual accounts to a date falling not more than 6 months before the date of its annual general meeting.

(3) Nothing in rule 31.39(1) shall require the issuer to send any of the documents referred to therein to:—

(a) a person of whose address the issuer is unaware; or

(b) more than one of the joint holders of any of its listed debt securities.

Note: The annual report and accounts and, where applicable, the summary financial report must be in the English language and must be accompanied by a Chinese translation or be in the Chinese language accompanied by an English translation.

Accounting standards

31.40 Annual accounts of a listed issuer are required, to conform with the requirements as to accounting standards set out in rules 18.04 to 18.06.

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.

- 31.41 Where the Exchange, in exceptional circumstances, allows the annual accounts of any overseas issuer to be drawn up otherwise than in conformity with either Hong Kong Financial Reporting Standards or International Financial Reporting Standards, 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 standards.

Annual report and accounts and auditors' report

- 31.42 The annual accounts must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and must be:—
- (1) qualified under the Professional Accountants Ordinance for appointment as an auditor of a company; or
 - (2) a firm of accountants acceptable to the Exchange which has an international name and reputation and is a member of a recognised body of accountants.
- 31.43 The accounts must be audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards.
- 31.44 The report of the auditors must be annexed to all copies of the annual accounts required to be sent by the issuer and indicate whether in the opinion of the auditors the accounts give a true and fair view:
- (1) in the case of the issuer's balance sheet, of the state of its affairs at the end of the financial year and in the case of the issuer's profit and loss account, of the profit or loss and cash flows for the financial year; and
 - (2) in the case where consolidated accounts are prepared, of the state of affairs and profit or loss of the issuer and cash flows of the group.
- 31.45 The report of the auditors must indicate the act, ordinance or other legislation in accordance with which the annual accounts have been drawn up and the authority or body whose auditing standards have been applied.
- 31.46 If an overseas issuer is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, the Exchange may allow its accounts to be drawn up to that standard. Reference must, however, be made to the Exchange.
- 31.47 An auditors' report in a different form may be applicable in the case of banking and insurance companies. The wording of such an auditors' report should make it clear whether or not profits have been stated before transfers to or from undisclosed reserves.

Information to accompany directors' report and annual accounts

- 31.48 The listed issuer shall include the information set out in rules 31.51 to 31.60 in its director's report and annual accounts and the disclosures required under the relevant accounting standards.

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.

31.49 [Repealed 1 April 2015]

31.50 [Repealed 1 April 2015]

31.51 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 purpose of relevant jurisdiction); and
- (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.

31.52 Details of the classes and numbers of any convertible debt 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.

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

31.54 Particulars of any redemption or purchase or cancellation by the listed issuer or any of its subsidiaries of its redeemable debt securities and the amount of such debt securities outstanding after any such redemption or purchase or cancellation has been made. Any such statement must distinguish between those listed securities which are purchased by the issuer (and, therefore, cancelled) and those which are purchased by a subsidiary of the issuer.

31.55 In 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.

31.56 A statement as to the reasons for any significant departure from the accounting standards adopted for the preparation of the issuer's annual financial statements.

31.57 Except where the listed issuer is a banking company, a statement as at the end of the financial year showing as regards, 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.

31.58 [Repealed 1 April 2015]

31.59 [Repealed 1 April 2015]

31.60 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.

Summary financial reports

31.61 Summary financial reports of listed issuers shall comply with the disclosure requirements set out in the Companies (Summary Financial Reports) Regulation.

Chapter 32

DEBT SECURITIES

OVERSEAS ISSUERS

Preliminary

- 32.01 Chapter 30 applies to debt issues to professional investors only by overseas issuers. The GEM Listing Rules apply to other debt issues by overseas issuers as they do to Hong Kong issuers, subject to the additional requirements, modifications or exceptions set out or referred to in this Chapter.
- 32.02 Overseas issuers are encouraged to contact the Exchange if they envisage any difficulties in complying fully with the relevant requirements.

Qualifications for listing

- 32.03 The following requirements (in addition to those specified in Chapter 27 or 30 as appropriate) apply to an overseas issuer:—
- (1) the Exchange reserves the right, in its absolute discretion, to refuse a listing of debt securities of an overseas issuer if it believes that it is not in the public interest to list them; and
 - (2)
 - (a) in the case of registered securities (other than those transferable by endorsement and delivery), provision must be made for a register of holders to be maintained in Hong Kong, or such other place as the Exchange may agree, and for transfers to be registered locally. The Exchange may, however, consider an alternative proposal for registering transfers for Hong Kong holders in exceptional circumstances; and
 - (b) in the case of bearer securities, provision must be made for the payment of interest and repayment of principal in Hong Kong, or such other place as the Exchange may agree.

Listing documents

- 32.04 The Exchange may be prepared to permit the omission of information otherwise required to be included in any listing document where it considers it appropriate. In considering requests for any such omissions, the Exchange will have regard to:—
- (1) whether the overseas issuer has a listing on a regulated, regularly operating, open stock market recognised for this purpose by the Exchange and conducts its business and makes disclosure according to the accepted standards in Hong Kong; and
 - (2) the nature and extent of the regulatory standards and controls to which the overseas issuer is subject in its country of incorporation or other establishment. Overseas issuers who want to omit any of the prescribed information should therefore consult the Exchange at the earliest possible opportunity.
- 32.05 The following modifications apply:—
- (1) some of the items of information specified in Part C of Appendix 1 may be inappropriate. In such a case, the item should be appropriately adapted so that equivalent information is given;

- (2) if the overseas issuer does not have a board of directors the statement of responsibility required under paragraph 2 of Part C of Appendix 1 must be made by all the members of the overseas issuer's equivalent governing body and the listing document should be modified appropriately;
- (3) the documents to be offered for inspection will be the documents corresponding to those mentioned in paragraph 53 of Part C of Appendix 1. Where any of such documents are not in the English or Chinese language, a certified English or Chinese translation thereof must be available for inspection. In particular cases, the Exchange may require additional documents to be offered for inspection; and
- (4) overseas issuers which are subject to public reporting and filing obligations in their country of incorporation or other establishment (or listing, if different) may be permitted to incorporate in listing documents relevant documents so published. Such documents must be accompanied, as necessary, by a certified English translation and a certified Chinese translation. The Exchange should be consulted in any such case.

Continuing obligations

- 32.06 The Exchange may be prepared to agree modifications to the continuing obligations of the overseas issuer as it considers appropriate in a particular case. In particular, in the case of an overseas issuer which has a listing on another regulated, regularly operating, open stock market recognised by the Exchange, the Exchange may accept equivalent continuing obligations imposed by that other stock market. Conversely, the Exchange may impose additional requirements in a particular case.

General

- 32.07 All documents furnished by an overseas issuer to the Exchange, including accounts, which are in a language other than English or Chinese must be accompanied by a certified English or Chinese translation. If the Exchange so requires, an additional translation must be prepared in Hong Kong at the overseas issuer's expense by such person or persons as the Exchange shall specify.
- 32.08 Information to be supplied by overseas issuers in a listing document or accounts notwithstanding any obligation in the GEM Listing Rules, the Statutory Rules or any obligation imposed by the laws of Hong Kong shall not be less than that required to be supplied by the overseas issuer in its place of incorporation or other establishment.

Chapter 33

DEBT SECURITIES

OPTIONS, WARRANTS AND SIMILAR RIGHTS

- 33.01 This Chapter does not apply to debt issues to professional investors only. This Chapter applies both to options, warrants and similar rights to subscribe or purchase debt securities ("warrants") which are issued or granted on their own by an issuer or any of its subsidiaries and to warrants which are attached to other debt securities. Warrants which are attached to other securities but which are non-detachable are convertible securities and are also subject to the provisions of Chapter 22 (convertible equity securities) or 34 (convertible debt securities), as appropriate.
- 33.02 Where application is made for the listing of warrants, the Exchange will normally apply the same requirements as would apply to the underlying securities to be subscribed or purchased. However, where such an application is contemplated, the Exchange should be consulted at the earliest opportunity as to the requirements which will apply.
- 33.03 Warrants may be listed only if the underlying securities to be subscribed or purchased are (or will become at the same time) a class of debt securities listed on GEM. However, the Exchange may list warrants in other circumstances if it is satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying debt securities to which such warrants relate.
- 33.04 Any alterations in the terms of warrants after issue or grant must be approved by the Exchange, except where the alterations take effect automatically under the terms of such warrants. In particular, the Exchange should be consulted at the earliest opportunity where the issuer proposes to alter the exercise period or the exercise price.
- 33.05 Paragraphs 32 and 33 of Part C of Appendix 1 set out additional requirements for the contents of listing documents relating to warrants.

Chapter 34

DEBT SECURITIES

CONVERTIBLE DEBT SECURITIES

- 34.01 This Chapter does not apply to convertible debt issues to professional investors only. All convertible debt securities must, prior to the issue thereof, be approved by the Exchange and the Exchange should be consulted at the earliest opportunity as to the requirements which will apply.
- 34.02 All convertible debt securities which are convertible into new equity securities or outstanding securities of the issuer or a company in the same group as the issuer for which a listing is to be sought must comply both with the requirements applicable to the debt securities for which listing is sought and with the requirements applicable to the underlying equity securities to which such convertible debt securities relate. In the event of any conflict or inconsistency between the various requirements, those applicable to such equity securities shall prevail.
- 34.03 Convertible debt securities which are convertible into equity securities may be listed only if such equity securities are (or will become at the same time) a class of equity securities listed on GEM. However, the Exchange may list convertible debt securities in other circumstances if it is satisfied that holders have the necessary information available to form an opinion concerning the value of the underlying equity securities to which such convertible debt securities relate.
- 34.04 Convertible debt securities which are convertible into property other than equity securities may be listed only if the Exchange is satisfied that holders have the necessary information available to form an opinion concerning the value of the other property to which such convertible debt securities relate.
- 34.05 Any alterations in the terms of convertible debt securities after issue must be approved by the Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.
- 34.06 Paragraphs 19 to 31 of Part C of Appendix 1 set out additional requirements for the contents of listing documents relating to the issue of convertible debt securities.

Chapter 35

DEBT SECURITIES

TAP ISSUES, DEBT ISSUANCE PROGRAMMES AND ASSET-BACKED SECURITIES

- 35.01 This Chapter sets out the additional requirements in relation to tap issues, debt issuance programmes and asset-backed securities. It does not apply to debt issues to professionals only.

Tap issues

- 35.02 Where application is made by an issuer for listing of a tap issue, the Exchange will normally apply the same requirements for each subsequent tranche as would apply to the initial tranche. However, where such an application is contemplated, the Exchange should be consulted at the earliest opportunity as to the requirements which will apply.
- 35.03 Any listing document issued in connection with a tap issue must specify the maximum nominal amount of debt securities which could be issued.

Debt issuance programmes

Application procedure and requirements

- 35.04 The application for listing must cover the maximum amount of securities which may be in issue and listed at any one time under the programme. If the Exchange approves the application, it will admit to listing all securities which may be issued under the programme within 12 months after the publication of the listing document subject to the Exchange:—
- (1) being advised of the final terms of each issue;
 - (2) receiving and approving for publication any supplementary listing document that may be appropriate;
 - (3) receiving confirmation that the securities in question have been issued; and
 - (4) receiving any listing fees payable.
- 35.05 The final terms of each issue which is intended to be listed ("the pricing supplement") must be submitted in writing to the Exchange as soon as possible after they have been agreed and in any event no later than 2:00 p.m. on the business day before listing is required to become effective. The pricing supplement may be submitted by the issuer, or one or more firms designated by the issuer so long as in the latter case the Exchange has received a letter of appointment signed by a duly authorised officer of the issuer.
- 35.06 The pricing supplement relating to an issue, when read together with the listing document and any supplementary listing document in respect of the programme, must provide an investor with the full terms and conditions of that issue.
- 35.07 An application in the form set out in Appendix 5C need not be submitted for issues made after the first issue in any 12 month period after publication of the listing document.
- 35.08 For an issue in excess of the notified maximum or made more than 12 months after publication of the listing document, a further application (and new listing document) must be submitted to the Exchange.

Listing document

- 35.09 The listing document must contain the general terms and conditions applicable to all securities that may be issued and listed under the programme.
- 35.10 In addition to those documents mentioned in paragraph 53(5) of Part C of Appendix 1, the following must be available for inspection at the registered office of the issuer and the office of its paying agent in Hong Kong for as long as issues are made under the programme:
- (1) the current listing document;
 - (2) any supplementary listing document published since the current listing document was published; and
 - (3) any pricing supplements issued since the current listing document was published.
- 35.11 The listing document must include a statement that the documents required by paragraph 53(5) of Part C of Appendix 1 (documents on display) may be inspected at the registered office of the issuer and the office of the paying agent in Hong Kong throughout the life of the programme.

Asset-backed securities

Qualifications for listing

- 35.12 The following additions and exceptions to the qualifications for listing apply to issuers of asset-backed securities:
- (1) the issuer must normally be a single purpose undertaking. (The requirement to be a single purpose undertaking does not preclude the addition to the pool of further assets during the life of the securities. Furthermore, further classes of debt securities may be issued by the undertaking, backed by separate pools of similar assets);
 - (2) where an issue of asset-backed securities is backed by equity securities, those securities must be listed on a stock exchange or traded on another regulated and regularly operating open market; the equity securities must represent non-controlling interests in and must not confer legal or management control of the companies issuing the equity securities; where options or conversion rights relating to equity securities are used to back an issue, this paragraph applies in respect of the securities resulting from the exercise of those options or rights; and
 - (3) there must be a trustee or other appropriate independent party representing the interests of the holders of the asset-backed securities and with the right of access to appropriate information relating to the assets.

Listing document

- 35.13 The listing document must include the following additional information:
- (1) a description of the assets used to back the asset-backed securities, giving at least the following (where relevant):
 - (a) the geographical location or legal jurisdiction of the financial assets;
 - (b) the pool size and any specified minimum or maximum;
 - (c) the types of loans;

- (d) the maturity of loans;
- (e) the size of loans;
- (f) the loan to value ratio at origination where the loans in the pool are themselves secured or backed by other assets, if a valuation was available;
- (g) the principal lending criteria and extent to which loans may be included which do not meet these criteria;
- (h) an indication of significant representations and warranties given to the issuer relating to the loan pool;
- (i) the method of origination;
- (j) any loan substitution rights;
- (k) any rights or obligations to make further advances;
- (l) the principal insurance policies, including the names, and where appropriate, the addresses and a brief description of the providers. Any concentration with one insurer should be disclosed if it is material to the transaction;
- (m) where the assets consist of debt obligations of 10 or fewer borrowers or where a borrower accounts for 10% or more of the assets, the information required in respect of each borrower will be the same as that which would be required if it were itself the issuer of the securities to be listed unless it is already listed on a stock exchange or the debt obligations are guaranteed by an entity listed on a stock exchange, in which case only the name, address, country of incorporation, nature of business and name of the exchange on which its securities are listed must be disclosed in respect of the issuer and the guarantor (if applicable). The relationship with the guarantor, if any, must be included. The terms and conditions of the loans or debt securities must be stated, except where the assets are debt securities listed on a stock exchange; and
- (n) where the assets consist of debt obligations of more than 10 borrowers, or where a borrower accounts for less than 10% of the assets the general characteristics and descriptions of the borrowers must be given;

however, due to the nature of the transaction, some of the above requirements may not be appropriate and additional information may be required. In such cases, the Exchange should be consulted at an early stage;

- (2) a description of the material risks together with any methods whereby they are sought to be addressed;
- (3) a description of the method and a statement of the date of the sale, transfer or assignment of the assets or of any rights in the assets to the issuer;
- (4) a description of the structure of the transaction and explanation of the flow of funds including:
 - (a) how the cash flow from the assets is expected to meet the issuer's obligations to holders of the securities, in particular, information on any credit enhancements, an indication of where material potential liquidity shortfalls are expected to occur and the availability of any liquidity supports and indication of provisions to cover interest shortfall risks;

- (b) an indication of any investment parameters for the investment of temporary liquidity surpluses;
 - (c) how payments are collected from borrowers of the loans in the pool;
 - (d) the order of priority of payments made by the issuer, where relevant to the holders of the class of debt securities in question;
 - (e) the fees payable by the issuer out of cash flow received (for example, fees to the administrator);
 - (f) details of any other arrangements upon which payments of interest and principal to investors are dependent;
 - (g) information on whether or not there is any intention to accumulate surpluses in the issuer; and
 - (h) details of any subordinated debt finance;
- (5) the name, address and brief description of the originator of the financial assets backing the issue;
- (6) the name, address and information to demonstrate the suitability of the administrator together with a summary of the administrator's responsibilities and a summary of the provisions relating to termination of the appointment of the administrator and whether or not an alternative administrator has been appointed, and
- (7) the names and addresses and brief description of:
- (a) any swap counterparties and any providers of other material forms of enhancement; and
 - (b) the banks with which the main accounts relating to the transaction are held.

35.14 If an issue is guaranteed as to principal and interest by a listed company or a company that is suitable for listing, the Exchange may be prepared to accept a shorter form of disclosure as regards the additional information required under this Chapter in the listing document if it is satisfied that any information omitted is not material from the point of view of the investors likely to be concerned.

In a case when the information required with respect to each borrower will be the same as that which would be required if it were itself the issuer of the securities to be listed, and where the issuer of the underlying securities or borrower of the underlying loans does not cooperate with the preparation of the listing document, then, as an alternative to the declaration required under paragraph 2 of Part C of Appendix 1, a declaration in the following form is acceptable:

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

The information relating to [the underlying issuer(s)/borrower(s)] has been accurately reproduced from the information published by that [issuer] [borrower]. So far as the issuer [and the directors] is [are] aware and/or is [are] able to ascertain from information published by [the underlying issuer(s)/ borrower(s)] no facts have been omitted which would render the reproduced information misleading”.

Accounts waiver

- 35.15 If no other requirement for the preparation of annual reports and accounts exists, the Exchange may consider an application for a waiver of the requirements set out in rules 31.37 to 31.47 in respect of annual reports and accounts. If a waiver is granted, the terms and conditions of the issue must include a requirement for the issuer to provide written confirmation to the trustee (or equivalent), on an annual basis, that no event of default or other matter which is required to be brought to the trustee’s attention has occurred.

Chapter 36

Listing of HKEC

36.01 In the context of the listing of HKEC on the Main Board, and as contemplated by section 74 of the Securities and Futures Ordinance:

- (1) the Exchange has included this Chapter in the GEM Listing Rules; and
- (2) HKEC and the Exchange have entered into a memorandum of understanding with the Commission.

The Commission's role in relation to applicants for listing and listed issuers

36.02 Conflicts of interest may arise between the Exchange and persons whom the Exchange regulates, including applicants for listing and listed issuers. Any person that considers a conflict of interest may exist or may come into existence, or may have existed and may continue or be repeated, between the interests of HKEC, the Exchange or any other company of which HKEC is the controller and the interests of the proper performance of any regulatory function performed by the Exchange should bring the facts of the matter to the attention of the Executive Director in charge of the Corporate Finance Division of the Commission.

The Commission's powers and functions in the event of a conflict of interest

36.03 Pursuant to section 74 of the Securities and Futures Ordinance the Commission shall have those powers and functions in relation to conflicts of interests or potential conflicts of interest as are set out in this Chapter and in the memorandum of understanding referred to in rule 36.01(2).

36.04 Where, pursuant to section 74 of the Securities and Futures Ordinance and this Chapter, the Commission exercises powers and functions with respect to applicants for listing or listed issuers in place of the Exchange:

- (1) the provisions of rules 38.03, 38.04 and 38.09 to 38.13 of the Main Board Listing Rules shall apply as between the Commission and the Exchange and such applicant or issuer as if any references to HKEC were replaced with references to the relevant applicant or issuer; and
- (2) the Commission shall exercise such powers and functions through and within the framework described in rules 38.05 to 38.08 of the Main Board Listing Rules as if:
 - (a) references to "HKEC" were replaced with references to "the relevant applicant or issuer";
 - (b) references to "Listing Committee" were replaced with "GEM Listing Committee";
 - (c) references to "Listing (Review) Committee" were replaced with "GEM Listing (Review) Committee";
 - (d) [Repealed 1 July 2008]
 - (e) references to "the Executive Director – Listing" were replaced with "the Executive Director – Listing Division"; and
 - (f) references to "Chapters 2A and 2B" were replaced with "Chapters 3 and 4"

The Stock Exchange of Hong Kong Limited

Practice Note 1

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

Issued pursuant to rule 1.07 of the GEM Listing Rules

YEAR 2000 COMPLIANCE

[Repealed 20 June 2001]

The Stock Exchange of Hong Kong Limited

Practice Note 2

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

Issued pursuant to rule 1.07 of the GEM Listing Rules

DUE DILIGENCE BY SPONSORS IN RESPECT OF INITIAL LISTING APPLICATIONS

1. This Practice Note should be read together with Chapter 6A of the GEM Listing Rules and the SFC Sponsor Provisions. Chapter 6A, amongst other things, requires that Sponsors conduct reasonable inquiries (“due diligence”) to enable the Sponsor to make a declaration set out in Appendix 7G under rule 6A.13. The SFC Sponsor Provisions provide a regulatory basis for defining the expected quality of work as a Sponsor.
- 1A. In undertaking due diligence inquiries a Sponsor must have regard to this Practice Note and the SFC Sponsor Provisions. To the extent that any matters under this Practice Note and the SFC Sponsor Provisions overlaps, the more onerous provisions imposing a higher standard of conduct on Sponsors will prevail.
2. The Sponsor should make such inquiries as may be necessary until the Sponsor can reasonably satisfy itself on the disclosure in the listing document. In undertaking its role a Sponsor should examine with professional scepticism the accuracy and completeness of statements and representations made, or other information given, to it by the new applicant or its directors. An attitude of professional scepticism means making a critical assessment with a questioning mind and being alert to information, including information from experts, that contradicts or brings into question the reliability of these statements, representations and information.
3. This Practice Note sets out the Exchange’s expectations of due diligence Sponsors will typically perform. It is not in any way intended to set out the actual steps that may be appropriate in any particular case. Each new applicant is unique and so will be the due diligence steps necessary for the purpose of its listing application. The scope and extent of appropriate due diligence by a Sponsor may be different from (and in some cases, considerably more extensive than) the more typical examples in this Practice Note. The Sponsor must exercise its judgment as to what investigations or steps are appropriate for a particular new applicant and the extent of each step.
4. The Exchange expects Sponsors to document their due diligence planning and significant deviations from their plans. This includes demonstrating that they have turned their minds to the question of what inquiries are necessary and reasonably practicable in the context and circumstances of the case. The Exchange also expects Sponsors to document the conclusions they reach on the new applicant’s compliance with all the conditions in Chapter 11 of the GEM Listing Rules taking into account the extent to which compliance with those rules has been waived by the Exchange.
5. It may be appropriate for a Sponsor to engage third party professionals to assist it to undertake tasks related to certain due diligence inquiries. For example, assistance in reviewing the circumstances of all current legal proceedings to which the new applicant is a party. In such cases, the Exchange expects the Sponsor to satisfy itself that it is reasonable to rely on information or advice provided by the third party professional. That would include, for example:
 - (a) being satisfied as to the competence of the professional, the scope of work to be undertaken by the professional and the methodology proposed to be used by the professional; and

- (b) being satisfied that the third party professional's report or opinion is consistent with the other information known to the Sponsor about the new applicant, its business and its business plans.
- 6. The Exchange reminds Sponsors of their other obligations including but not limited to those under the GEM Listing Rules, the SFC Corporate Finance Adviser Code of Conduct, the Code of Conduct and particularly the SFC Sponsor Provisions, the Sponsor Guidelines, the Takeovers Code, the Code on Share Buy-backs, the Securities and Futures Ordinance and all other relevant ordinances, codes, rules and guidelines applicable to Sponsors. Nothing in this Practice Note detracts from or diminishes those obligations.

Interpretation of this Practice Note

- 7. Unless otherwise stated, all terms used in this Practice Note have the same meanings as in the GEM Listing Rules.
- 8. All references in this Practice Note to the new applicant's listing document include supporting or supplementary documents, for example, correspondence with the Exchange in relation to the new applicant's initial listing application and relied on by the Exchange in assessing that application.
- 9. All references in this Practice Note to the new applicant include the new applicant's group of companies.
- 10. Unless otherwise stated, all references in this Practice Note to directors include executive and non-executive directors.

Due diligence

- 11. Typical due diligence inquiries in relation to the collective and individual experience, qualifications, competence and integrity of the directors include:
 - (a) reviewing written records that demonstrate each director's past performance as a director of the new applicant including participation in board meetings and decision making relating to the management of the new applicant and its business;
 - (b) assessing individually and collectively the financial literacy, corporate governance experience and competence generally of the directors with a view to determining the extent to which the board of the new applicant as a whole has a depth and breadth of financial literacy and understanding of good corporate governance, having regard to any code on corporate governance practices that the Exchange publishes from time to time; and
 - (c) reviewing the financial and regulatory track record of each publicly listed company (this includes companies listed on other exchanges as well as on the Exchange) of which any of the new applicant's directors is or was an executive or non-executive director, for example, by reference to company disclosures, media articles and information about those companies on the website of the relevant stock exchange.
- 12. Typical due diligence inquiries in relation to the new applicant's compliance with the qualifications for listing include:
 - (a) searching the company registry in the new applicant's place of incorporation to confirm that the new applicant is duly established in that place and that the new applicant is in compliance with its memorandum and articles of association or equivalent constitutive documents;

- (b) reviewing material financial information, including:
 - (i) financial statements of the new applicant;
 - (ii) financial statements of all subsidiaries of the new applicant and other companies that are material to the group's financial statements; and
 - (iii) the internal financial records, tax certificates and supporting documents to the tax certificates for the trading record period.

Such review would in most cases include interviewing the new applicant's accounting staff and internal and external auditors and reporting accountants and, where relevant, obtaining comfort from the new applicant's external auditors or reporting accountants based upon agreed procedures; and

- (c) assessing the accuracy and completeness of the information submitted by the new applicant to demonstrate that it satisfies the trading record requirement.
13. Typical due diligence inquiries in respect of each new applicant and the preparation of its listing document and supporting information include:
- (a) assessing the financial information to be published in the listing document including:
 - (i) obtaining written confirmation from the new applicant and its directors that the financial information (other than that already reported upon by a reporting accountant) has been properly extracted from the relevant underlying accounting records; and
 - (ii) being satisfied that the confirmation referred to at paragraph (i) has been given after due and careful inquiry by the new applicant and its directors;
 - (b) assessing the new applicant's performance and finances, business plan and any profit forecast or estimate, including an assessment of the reasonableness of budgets, projections and assumptions made when compared with past performance, including historical sales, revenue and investment returns, payment terms with suppliers, costs of financing, long-term liabilities and working capital requirements. This would normally include interviewing the new applicant's senior management and would often involve interviewing the new applicant's major suppliers and customers, creditors and bankers;
 - (c) assessing whether there has been any change since the date of the last audited balance sheet included in the listing document that would require disclosure to ensure the listing document is complete and not misleading;
 - (d) assessing whether it is reasonable to conclude that the proceeds of the issue will be used as proposed by the new applicant, taking into account the outcome of the Sponsor's assessment of, in particular, the new applicant's existing cash and liquid reserves, projected liabilities, working capital requirements and expenditure controls;
 - (e) undertaking a physical inspection of material assets, whether owned or leased, including property, plant, equipment, inventory and biological assets (for example, livestock or crops) used or to be used in connection with the new applicant's business;

Notes:

1. *By physical inspection the Exchange means the Sponsor should visit the site of the asset in order to view the asset and to assess its extent, quality and quantity and the purpose for which it is used.*
2. *Where, in the reasonable opinion of the Sponsor, assessment of an asset, including as to its extent, quality, quantity and use, genuinely cannot be achieved without the use of an expert (for example, in undertaking the physical inspection the Sponsor becomes suspicious that the asset does not exist as to the extent represented or exists but is not used for the purpose claimed) the Sponsor should ensure that the new applicant instructs an appropriately qualified independent expert to conduct all or part of the inspection. In such cases the Sponsor should ensure the expert is required to provide a written report in respect of the inspection.*

- (f) reaching an understanding of the new applicant's production methods;
- (g) reaching an understanding of the manner in which the new applicant manages its business, including as relevant actual or proposed marketing plans, including distribution channels, pricing policies, after-sales service, maintenance and warranties;
- (h) reviewing the business aspects of all contracts material to the new applicant's business;

Note: By business aspects the Exchange means non-legal aspects.

- (i) reviewing legal proceedings and other material disputes that are current or recently resolved (for example, resolved in the previous 12 months) and in which the new applicant is involved, and all proceedings or material disputes the new applicant knows to be contemplated and which may involve the new applicant or one of its subsidiaries;
- (j) analysing the business aspects of economic, political or legal conditions that may materially affect the new applicant's business;
- (k) considering the industry and target markets in which the new applicant's business has principally operated and is intended to principally operate, including geographical area, market segment and competition within that area and/or segment (including existing and potential principal competitors and their relative size, aggregate market share and profitability);
- (l) assessing whether there is appropriate documentation in place to confirm that the material assets, whether owned or leased, including property, plant, equipment, inventory and biological assets used or to be used, in connection with the new applicant's business, are appropriately held by the new applicant (for example, reviewing the relevant certificates of title and rights of land use);
- (m) assessing the existence, validity and business aspects of proprietary interests, intellectual property rights, licensing arrangements and other intangible rights of the new applicant;
- (n) reaching an understanding of the technical feasibility of each new product, service or technology developed, being developed or proposed to be developed under the new applicant's business plan that may materially affect the new applicant's business; and

- (o) assessing the stage of development of the new applicant's business and assessing the new applicant's business plan and any forecasts or estimates, including reaching an understanding of the commercial viability of its product(s), service(s) or technology, including an assessment of the risk of obsolescence as well as market controls, regulation and seasonal variation.
14. Typical due diligence inquiries in relation to the expert sections of the listing document include:
- (a) interviewing the expert, reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report, opinion or statement) and reviewing publicly available information about the expert to assess:
 - (i) the expert's qualifications, experience and resources; and
 - (ii) whether the expert is competent to undertake the required work;
 - (b) reviewing the expert sections of the draft listing document to form an opinion as to whether the following are disclosed and commented on appropriately:
 - (i) the factual information on which the expert relies;
 - (ii) the assumptions on which the expert opinion is based; and
 - (iii) the scope of work performed by the expert in arriving at his opinion;
 - (c) verifying factual information for the purpose of making that part of the declaration in rule 6A.13 and Appendix 7G(3);
 - (d) where the Sponsor is aware that the new applicant has made formal or informal representations to an expert in respect of an expert section or in respect of a report made in connection with the listing application, assessing whether the representations are consistent with the Sponsor's knowledge of the new applicant, its business and its business plans;
 - (e) by reference to the Sponsor's knowledge of the new applicant, its business and its business plans assessing whether the assumptions disclosed by the expert as those on which the expert's opinion is based, are fair, reasonable and complete;
 - (f) if the expert's opinion is qualified, assessing whether the qualification is adequately disclosed in the listing document; and
 - (g) where the standard of independence is not set by a relevant professional body, obtaining written confirmation from the expert that it is independent from the new applicant and its directors and controlling shareholder(s), and being satisfied that there is no cause to inquire further about the truth of this confirmation. This would include confirming that the expert does not have a direct or indirect material interest in the securities or assets of the new applicant, its core connected persons, or any close associate of the new applicant beyond that allowed by rule 6A.07.

15. Typical due diligence inquiries in relation to the new applicant's accounting and management systems and in relation to the directors' appreciation of their and the new applicant's obligations include:

- (a) assessing the new applicant's accounting and management systems that are relevant to:
 - (i) the obligations of the new applicant and its directors under the GEM Listing Rules and other legal and regulatory requirements, in particular the financial reporting, disclosure of notifiable and connected transaction and inside information requirements; and
 - (ii) the directors' ability to make a proper assessment of the financial position and prospects of the new applicant and its subsidiaries, both immediately before and after listing.

This assessment should cover the new applicant's compliance manuals, policies and procedures including corporate governance policies and any letters from the reporting accountants to the new applicant commenting on the new applicant's accounting and management systems or other internal controls; and

- (b) interviewing all directors and senior managers with key responsibilities for ensuring compliance with the GEM Listing Rules and other legal and regulatory requirements (including the staff responsible for the accounting and financial reporting function, company secretary and any compliance officers) to assess:
 - (i) their individual and collective experience, qualifications and competence; and
 - (ii) whether they appear to understand relevant obligations under the GEM Listing Rules and other relevant legal and regulatory requirements and the new applicant's policies and procedures in respect of those obligations.

16. To the extent that the Sponsor finds that the new applicant's procedures or its directors and/or key senior managers are inadequate in any material respect on issues referred to at paragraph 15 above, the Sponsor should typically discuss the inadequacies with the new applicant's board of directors and make recommendations to the board regarding appropriate remedial steps. It should also typically ensure that these steps be taken before listing. These steps might include training tailored to the needs of individual directors and senior managers.

The Stock Exchange of Hong Kong Limited

Practice Note 3

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

Issued pursuant to rule 1.07 of the GEM Listing Rules

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

1. Definitions

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

2. Introduction

This Practice Note is intended to set out the Exchange’s policy with regard to proposals submitted by issuers to effect the separate listing on the GEM or elsewhere of assets or businesses wholly or partly within their existing groups (“spin-offs”). This Practice Note sets out the principles which the Exchange applies when considering spin-off applications.

Issuers are reminded that they are required to submit their spin-off proposals to the Exchange for its approval.

Note: This Practice Note is normally only applicable to an issuer and entity which is a subsidiary of the issuer at the time of submission of the spin-off proposal. However, the Exchange will treat an entity as if it were a subsidiary of an issuer for the purpose of this Practice Note if such entity is at the time of submission of the issuer’s spin-off proposal, an associated company of the issuer and was, at any time during the latest completed financial year of the issuer (comprising at least 12 months) up to the date of submission of the spin-off proposal, a subsidiary of the issuer.

In such circumstances, the entity will be required to comply with the requirements of this Practice Note and will be treated as if it has remained as a subsidiary of the issuer. The issuer is required to substantiate to the satisfaction of the Exchange the changes in the beneficial ownership of the entity’s issued shares in the period stated above.

3. Principles

The principles, which apply equally whether the entity to be spun off is to be listed in Hong Kong or overseas, are as follows:

(a) Newco to satisfy basic listing criteria

Where the entity ("Newco") to be spun-off by the existing issuer ("Parent") is to be listed on a stock market operated by the Exchange, it must satisfy all requirements of the relevant listing rules falling on new listing applicants, including the relevant basic listing criteria contained in Chapter 8 or Chapter 19A of the Main Board Listing Rules, or in Chapter 11 or Chapter 25 of the GEM Listing Rules, as the case may be.

(b) No spin-off within three years of Parent's original listing

In recognition that the original listing of the Parent will have been approved on the basis of the Parent's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the Parent would continue to develop those businesses, the Exchange would not normally consider a spin-off application within three years of the date of listing of the Parent.

(c) The remaining business of the Parent

The Exchange must be satisfied that, after the listing of Newco, the Parent would retain a sufficient level of operations and sufficient assets to support its separate listing status. In particular, it would not be acceptable to the Exchange that one business (Newco's) supported two listing statuses (the Parent's and Newco's). In other words, the Parent itself would be required to retain, in addition to its interest in Newco, sufficient assets and operations of its own, excluding its interest in Newco, to satisfy independently the listing requirements of Chapter 11 of the GEM Listing Rules.

(d) Principles applied in the consideration of spin-off applications

In considering an application for listing by way of spin-off, the Exchange would apply the following principles:

- (i) there should be a clear delineation between the business(es) retained by the Parent and the business(es) of Newco;
- (ii) Newco should be able to function independently of the Parent. As well as independence as regards its business and operations, the Exchange would expect from Newco:
 - independence of directorship and management. While common directors would not be a bar to qualification under this test, the Exchange would require to be satisfied that Newco would operate independently and in the interests of its shareholders as a general body, and not in the interests of the Parent only, where the former interests and the latter were actually or potentially in conflict;
 - independence of administrative capability. The Exchange would expect that all essential administrative functions would be carried out by Newco without requiring the support of the Parent, although the Exchange is prepared to be flexible in the sharing of administrative, nonmanagement functions, such as secretarial services; and

- the Exchange must be satisfied that ongoing and future connected transactions between the Parent and Newco would be properly transacted under Chapter 20 of the GEM Listing Rules and/or waivers thereunder and, in particular, that the ongoing relationship would not, in the context of any waivers granted, be unduly artificial or difficult to monitor from the perspective of safeguarding the interests of the respective minority shareholders of the Parent and of Newco.
- (iii) there should be clear commercial benefits, both to the Parent and to Newco, in the spin-off which should be elaborated upon in the listing document; and
- (iv) there should be no adverse impact on the interests of shareholders of the Parent resulting from the spin-off.
- (e) *Shareholder approval of the spin-off*
- (1) At present, under the GEM Listing Rules, as well as where the connected transaction provisions are applicable, shareholder approval will be required where, under rule 19.07, any of the percentage ratios of the transaction is 25% or more.
- (2) The Exchange is of the view that the approval of shareholders of the Parent must be sought for the proposal if it falls within (1) above, and that the controlling shareholder and its associates must abstain from voting if the controlling shareholder has a material interest in the proposal.
- (3) [Repealed 1 January 2009]
- (4) In cases where the spin-off proposal requires approval by shareholders of the Parent, whether or not the controlling shareholder is required to abstain from voting, the Parent must comply with the requirements set out in rules 17.47(6) and (7). The circular to shareholders must contain full details of the spin-off and its effect on the Parent. The independent financial adviser appointed under rule 17.47(6)(b) may not also be the sponsor or co-sponsor or an underwriter of Newco.
- (5) In any case where the controlling shareholder votes through the spin-off proposal in the face of significant minority opposition, the Exchange would expect to receive a report from the independent financial adviser as to the discussions at the relevant general meeting.

(f) *Assured entitlement to shares in Newco*

The Exchange expects the Parent to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in Newco, either by way of a distribution in specie of existing shares in Newco or by way of preferred application in any offering of existing or new shares in Newco. The percentage of shares in Newco allocated to the assured entitlement tranche would be determined by the directors of the Parent and by its advisers, and all shareholders of the Parent would be treated equally. There would be no bar to the controlling shareholder receiving his proportion of shares under such entitlement. Where Newco is proposed to be listed elsewhere than in Hong Kong, and where shares in Newco under the assured entitlement can only be made available to existing shareholders of the Parent by way of a public offering in Hong Kong, the Exchange would consider submissions as to why the assured entitlement requirement would not be for the benefit of the Parent or its shareholders. Further, the minority shareholders of the Parent may by resolution in general meeting resolve to waive the assured entitlement, even where Newco is to be listed in Hong Kong.

Note: In case where Newco is made subject to this Practice Note by virtue of the Note to paragraph 2, the Parent should use its best endeavours to provide its shareholders an assured entitlement to the shares in Newco. Whether such assured entitlement is available will be taken into account by the Exchange when considering whether to approve the spin-off proposal.

(g) *Announcement of spin-off*

An issuer must announce its spin-off listing application by the time it lodges the Form A (or its equivalent in any overseas jurisdiction). Where an overseas jurisdiction requires a confidential filing, the matter should be discussed with the Listing Division before the filing. Until announcement of the application, strict confidentiality should be maintained and if there is a leakage of information or a significant, unexplained movement in the price or turnover volume of the Parent's securities, an earlier announcement would be required.

These are general principles to assist the market. The Listing Division should be consulted at an early stage of any spin-off proposal for clarification as to the application thereof.

4. The Exchange emphasises that it retains an absolute discretion to accept or reject a proposal submitted by an issuer to effect the separate listing of assets or businesses wholly or partly within its existing group. The principles in this Practice Note are not exhaustive and the Exchange may impose additional requirements or make a spin-off proposal subject to special conditions whenever it considers it appropriate.

The Stock Exchange of Hong Kong Limited

Practice Note 4

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

Issued under rule 1.07 of the GEM Listing Rules

SUGGESTED RISK ASSESSMENT FOR MINERAL COMPANIES

Risk Assessment

Although other jurisdictions do not have a specific risk factor requirement, a listing of significant risk factors provides investors with a summary of significant risks to the company and its properties. A risk factor section is often included in reports filed in jurisdictions without a specific requirement for their inclusion. This can be particularly important for investors looking to invest in the mineral resource sector.

In their technical reports, most consulting firms include risk analysis tables that address common areas of risk along with an assessment of the degree of risk for the particular project. These assessments are necessarily subjective and qualitative. Risk has been classified from minor to major, which can be further clarified as:

- **Major Risk:** the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure.
- **Moderate Risk:** the factor, if uncorrected, could have a significant effect (10% to 15% or 20%) on the project cash flow and performance unless mitigated by some corrective action.
- **Minor Risk:** the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

The likelihood of a risk must also be considered. Likelihood within a 7-year time frame can be considered as:

- Likely: will probably occur
- Possible: may occur
- Unlikely: unlikely to occur

The degree or consequence of a risk and its likelihood are combined into an overall risk assessment as presented in Table 1.1.

Table 1.1
Overall Risk Assessment

Likelihood of Risk (within 7 years)	Consequence of Risk		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

Table 1.2 presents an example of a risk assessment for a coal project and shows how the likelihood and consequences of a risk are combined into an overall rating. Note that the detailed items considered are project specific.

Table 1.2
Project Risk Assessment Table Before Mitigation

Hazard/Risk Issue	Likelihood	Consequence Rating	Risk
Geological			
Lack of Significant Resource	Unlikely	Minor	Low
Loss of Significant Reserve	Possible	Major	High
Significant Unexpected Faulting	Likely	Major	High
Significant Subsidence	Possible	Moderate	Medium
Poor Geological Roof	Likely	Moderate	Medium
Unexpected Groundwater Ingress	Possible	Moderate	Medium
Unexpected Seam Gas Outburst	Unlikely	Moderate	Low
Mining			
Significant Production Shortfalls	Possible	Major	High
Production Pumping System Adequacy	Unlikely	Major	Medium
Adverse Pre-Mining Stress	Possible	Moderate	Medium
Excessive Gas	Possible	Moderate	Medium
Spontaneous Combustion	Unlikely	Major	Medium
Significant Geological Structures	Likely	Moderate	High
Poor Development Roof/Rib Conditions	Possible	Minor	Low
Poor Development Floor Conditions	Unlikely	Moderate	Low
Poor Production Roof	Unlikely	Major	Medium
Excess Surface Subsidence	Possible	Major	High
Outbursts	Unlikely	Major	Medium
Windblasts	Unlikely	Moderate	Low
Processing/Handling			
Lower Yields	Possible	Minor	Low
Lower Plant Production Levels	Possible	Moderate	Medium
Higher Plant Production Costs	Possible	Moderate	Medium
Plant Reliability	Possible	Moderate	Medium
Handling System	Unlikely	Moderate	Low
Environmental			
Water Discharge Non-Compliance	Possible	Minor	Low
Significant Unpredicted Subsidence	Possible	Moderate	Medium
Regulatory Consent/Variation Delays	Possible	Minor	Low
Capital and Operating Costs			
Project Timing Delays	Possible	Moderate	Medium
Mine Management – Plan	Unlikely	Minor	Low
Capital Cost Increases – Start-Up	Possible	Moderate	Medium
Capital Costs – Ongoing	Unlikely	Minor	Low
Operating Costs Underestimated	Possible	Moderate	Medium
Project Implementation			
Critical Path Delays	Possible	Moderate	Medium

There are five high risk areas identified in Table 1.2. While this approach is necessarily subjective and a number of issues are related, the areas with high risk rating may be summarized as follows:

- loss of significant reserve,
- significant production shortfalls,
- significant unexpected faulting,
- significant geological structures, and
- excess surface subsidence.

The areas of high risk, ranked by their importance, should be an important part of technical and valuation reports. Although general areas such as geology, reserve estimation, production, processing, financial issues, social and environmental issues, etc. are common major topics in risk assessments, the specific risks appropriate to each property and each company will differ from property to property and company to company. For a particular property or company, the number and order of risk factors will vary from year to year. In periods of low commodity prices, a risk factor relating to commodity prices will be far more important than during periods when commodity prices are high. Availability of needed equipment (drill rigs, trucks, shovels, etc.) also varies from year to year. The issuer is responsible for ensuring that appropriate risk factor disclosures are made.

The Stock Exchange of Hong Kong Limited

Practice Note 5

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

Issued pursuant to rule 1.07 of the GEM Listing Rules

Publication of Application Proofs and Post Hearing Information Packs (PHIPs)

Definitions and Interpretation

1. For the purposes of this Practice Note:

“institutional or other professional investors”	means the actual or potential investors under the placing tranche of an offer
“HKEx-ESS”	means the Exchange’s electronic submission system or by whatever name the system is called for submitting Application Proofs and PHIPs for publication on the GEM website
“Returned Application”	means any application returned by the Listing Division under rule 12.09 where all related review procedures on the Return Decision have been completed or the time for invoking them has lapsed

Language

2. Every Application Proof and PHIP for publication must be:
 - (a) in English and Chinese; and
 - (b) concise, easy to understand and in plain language.

Content of Application Proofs and PHIPs

3. For the purpose of publication on the GEM website, an Application Proof and a PHIP should be prepared on the following principles:
 - (a) there must not be any information about the offering, price or means to subscribe for equity securities in a new applicant until a final listing document is published;
 - (b) there must not be any information regarding the proposed offering or other information that would constitute the Application Proof or PHIP a prospectus under section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or an advertisement under section 38B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or an invitation to the public in breach of section 103 of the Securities and Futures Ordinance as amended from time to time;
 - (c) there must be appropriate disclaimer and warning statements to advise readers of the legal status of an Application Proof and PHIP to the effect that:

- (i) it is not an offer to sell or an invitation to induce/solicit an offer to acquire, purchase or subscribe for securities;
 - (ii) it is not in a final form and is subject to change;
 - (iii) no investment decision should be based on the information contained in the Application Proof and PHIP;
 - (iv) there is no guarantee that there will be an offering; any offer of securities will require a final listing document which is the only document investors should rely on to make investment decisions; and
 - (v) there is no indication that the application to which the document relates has been approved for listing.
4. A new applicant must redact an Application Proof and a PHIP only to the extent necessary for these documents not to constitute a prospectus under section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or an advertisement under section 38B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or an invitation to the public in breach of section 103 of the Securities and Futures Ordinance (unless consent is obtained for further redactions). A new applicant must also include adequate warning and disclaimer statements on the GEM website and in every Application Proof and PHIP published on the GEM website to advise viewers of the legal status of these documents.

Legal Confirmation

5. Every new applicant must ensure that the publication of any Application Proof and PHIP on the GEM website complies with paragraphs 3 and 4. Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and other laws and regulations remains the primary responsibility of every new applicant.
6. To ensure compliance, a new applicant must provide the Exchange with a confirmation from its legal adviser that the new applicant has complied with the Exchange's guidance on redactions in its Application Proof and PHIP and inclusion of appropriate warning and disclaimer statements for publication of these documents.
7. Where a new applicant is concerned that the publication of any Application Proof and PHIP on the GEM website may violate securities laws in other overseas jurisdictions in which an offer of securities is intended to be marketed, it should include sufficient warning statements in the Application Proof and PHIP to make clear that these documents are intended for access by Hong Kong residents only or that the readers need to confirm prior to reading these documents that there are no laws or regulations prohibiting the readers from gaining access (for viewing and downloading) to the Application Proof and/or PHIP.

Prescribed Timing for Publishing Application Proofs

8. A new applicant must submit its Application Proof through HKEx-ESS for publication on the GEM website at the same time it files a listing application with the Exchange.

9. Where an applicant re-submits its listing application, no Application Proof is required to be submitted for publication on the GEM website if at the time of the submission of the application the following conditions are satisfied:
- (a) a PHIP or a final listing document has been published on the GEM website; and
 - (b) the Sponsor provides a written confirmation to the Exchange that the PHIP or the final listing document published on the GEM website does not need to be updated and remains valid.
10. Where a new Application Proof is submitted for publication on the GEM website, no mark-up against the previous proof is required.

Prescribed Timing for Publishing PHIPs

11. A new applicant must at the earliest practicable time submit a PHIP through HKEx-ESS for publication on the GEM website upon the following taking place:
- (a) receipt of a post hearing letter from the Exchange together with a request to post a PHIP; and
 - (b) the directors of the new applicant concluding that the material comments of the Exchange have been addressed;

provided that where the new applicant intends to offer equity securities to the public in Hong Kong, the publication of the PHIP on the GEM website must not be later than the first occurrence of:

- (i) the time at which the new applicant first distributes any red herring document to institutional or other professional investors;
 - (ii) the time at which the book-building process commences irrespective of whether the process involves a meeting (whether held physically or by video conference or any other media) between the new applicant and institutional or other professional investors, or whether any red herring document has been distributed; and
 - (iii) if a new applicant has also scheduled a listing of its securities on an overseas exchange at or around the time as its prospective listing in Hong Kong, simultaneously with any overseas publication of similar information.
12. A new applicant does not need to publish its PHIP:
- (a) if it delays its listing plan by informing the Exchange accordingly; or
 - (b) if the listing is by way of an introduction and the final listing document is to be issued immediately after the obligation to publish a PHIP arises.
13. When a new applicant resumes its listing plan after a delay under paragraph 12(a), it must publish a PHIP as set out in paragraph 11.

Publication of Subsequent PHIPs

14. If at any time after the issue of a PHIP, a new applicant circulates to institutional or other professional investors an addendum to its red herring document that will be included in its final listing document or a replacement red herring document, the new applicant must, as soon as

practicable, re-submit through HKEx-ESS for publication on the GEM website an addendum to the PHIP or a replacement PHIP, as the case may be. The re-submitted PHIP must be marked up against the previous proof and give the same level of detail that are made available to institutional or other professional investors.

15. For any other cases, whenever a revised PHIP is submitted to replace an existing PHIP after the latter's publication on the GEM website, the replacement PHIP must be marked up against the previous proof to show all changes made.
16. Where a listing application lapsed after the publication of a PHIP and the new applicant re-submits a new Application Proof, any PHIP that immediately follows the re-submitted Application Proof is not required to be marked up against the previously published PHIP.

Confidential Filings

17. A new applicant which has been listed on a recognised overseas exchange for not less than 5 years and has a significantly large market capitalisation (as determined by the Exchange from time to time) at the time of filing its listing application is entitled to make a confidential filing of its Application Proof. The new applicant is not subject to the publication requirements for its Application Proof unless requested to comply with them by the Exchange. All other requirements under the GEM Listing Rules apply unless a waiver is granted.
18. The Exchange may waive or modify the publication requirements for an Application Proof in a spin-off from an overseas listed parent upon application by a new applicant. A new applicant is encouraged to consult the Exchange if it envisages any difficulties in complying with the publication requirements at least 2 months before the filing of its Application Proof.

No pre-vetting of Application Proofs or PHIPs

19. Application Proofs, PHIPs and statements issued under rule 12.10(2)(c) do not require pre-vetting or clearance from the Exchange before their publication on the GEM website.

Status Marks and Information on the GEM Website

20. The Exchange will publish the following status marks and information on the GEM website to indicate the status of each listing application:

Status Mark	Status of Listing Application	Information on the GEM website
"Active"	Any valid listing application and includes an application of which the review of a decision to return or reject the application is pending	<ul style="list-style-type: none"> The contents of the latest submitted Application Proof, and any PHIPs and statements under rule 12.10(2)(c) submitted thereafter

Status Mark	Status of Listing Application	Information on the GEM website
<p>"Inactive" comprising:</p> <ul style="list-style-type: none"> • "Lapsed" • "Withdrawn" • "Rejected" 	<p>Any lapsed application</p> <p>Any withdrawn application</p> <p>Any rejected application</p>	<ul style="list-style-type: none"> • The name of the new applicant • A record of the date; and description of the documents previously published <p>Note: The contents of all previously published documents will no longer be accessible but there will be a record of these documents</p>
"Listed"	Any application of which the applicant is subsequently listed on the Exchange	<ul style="list-style-type: none"> • The contents of the latest submitted Application Proof, and any PHIPs and statements under rule 12.10(2)(c) submitted thereafter <p>Note: The contents of all previously published documents which have been categorised as "Inactive" will no longer be accessible, but there will be a record of these documents</p>
"Returned"	Any Returned Application	<ul style="list-style-type: none"> • The name of the new applicant • The name of the Sponsor or listing agent • The date of the Return Decision <p>Note: All other information previously categorised as "Active" will be removed</p>

21. The status marks are subject to change from time to time as the Exchange considers appropriate.

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part A

Equity Securities

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

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

1. The full name of the issuer.
2. A statement as follows:—

“This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.” *(Note 1)*
3. The names and addresses of the issuer’s principal bankers, Sponsor, authorised representatives, solicitors, registrars and trustees (if any) and of the solicitors to the issue.
4. The name, address and professional qualifications of the auditors.
5. The date and country of incorporation or other establishment of the issuer and the authority under which the issuer was incorporated or otherwise established.
6. In the case of an issuer not incorporated or otherwise established in Hong Kong, the address of the head office and of the principal place of business (if any) in Hong Kong and of the place of business in Hong Kong registered under Part 16 of the Companies Ordinance, and the name(s) and address(es) of the person(s) in Hong Kong authorised to accept service of process and notices on its behalf.
7. The provisions or a sufficient summary of the provisions of the articles of association or equivalent document with regard to:—
 - (1) any power enabling a director to vote on a proposal, arrangement or contract in which he is materially interested;
 - (2) any power enabling the directors, in the absence of an independent quorum, to vote remuneration (including pension or other benefits) to themselves or any members of their body and any other provision as to the remuneration of the directors;

- (3) borrowing powers exercisable by the directors and how such borrowing powers can be varied;
 - (4) retirement or non-retirement of directors under an age limit;
 - (5) directors' qualification shares;
 - (6) changes in capital;
 - (7) any time limit after which entitlement to dividend lapses and an indication of the party in whose favour the lapse operates;
 - (8) arrangements for transfer of the securities and (where permitted) any restrictions on their free transferability; and
 - (9) any restriction on ownership of securities of the issuer.
8.
 - (1) The name of any promoter. If the promoter is a company, a statement of its issued share capital, the amount paid up thereon, the date of its incorporation or other establishment, the names of its directors, bankers and auditors, and such other particulars as the Exchange thinks necessary in connection therewith. *(Note 2)*
 - (2) Particulars of any cash, securities or other benefit paid, allotted or given within the 2 years immediately preceding the issue of the listing document, or proposed to be paid, allotted or given, to any promoter and the consideration for such payment, allotment or other benefit.
 9. Where the listing document includes a statement purporting to be made by an expert, a statement:—
 - (1) specifying the qualifications of such expert and whether such expert has any shareholding in any member of the group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the group, and, if so, a full description thereof;
 - (2) that the expert has given and has not withdrawn his written consent to the issue of the listing document with the expert's statement included in the form and context in which it is included; and
 - (3) of the date on which the expert's statement was made and whether or not it was made by the expert for incorporation in the listing document.
 10. Where relevant, in the absence of a statement that estate duty indemnities have been given, a statement that the directors have been advised that no material liability for estate duty would be likely to fall upon any member of the group. (The Exchange may require any such indemnities to be supported by continuing guarantees.)
 11. Particulars of any other stock exchange on which any part of the equity or debt securities of the issuer is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought, and particulars of the dealing and settlement arrangements on each such exchange and between such exchanges, or an appropriate negative statement.
 12. Particulars of any arrangement under which future dividends are waived or agreed to be waived.
 13. Particulars of any commissions, discounts, brokerages or other special terms granted within the 24 months immediately preceding the issue of the listing document in connection with the issue or sale of any capital of any member of the group, together with the names of any directors or proposed directors, promoters or experts (as named in the listing document) who received any such payment or benefit and the amount or rate of the payment or benefit they received, or an appropriate negative statement. *(Notes 3 and 9)*

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;
- (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 arrangements 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.
15. (1) The nature and amount of the issue including the number (or, if not yet determinable, the minimum and maximum number) of securities which have been or will be created and/or issued and a full description of, including a summary of the terms attaching to, the securities for which listing is sought.
- (2) Whether or not, and if so to what extent, the issue has been underwritten and, if not fully underwritten, the minimum amount of capital, if any, which the issuer must raise for the issue to proceed. (See also paragraph 48).
- (3) The following information concerning the terms and conditions of the issue and distribution, public or private, of the securities in respect of which the application for listing is made where such issue or distribution is being effected in conjunction with the issue of the listing document or has been effected within the 12 months preceding the issue of the listing document:—
 - (a) full details of the basis on which securities are to be offered including the total amount of the public or private issue and the number of securities offered, where applicable, by category and full details of the basis on which shares are to be allocated having regard to the provisions of rules 13.01 and 13.02;
 - (b) if public or private issues or placings are being made simultaneously on markets within and outside Hong Kong and if a tranche has been or is being reserved for certain of those markets, an indication of any such tranche;
 - (c) the issue price or offer price of each security, stating the nominal value of each security;
 - (d) the methods of payment of the issue or offer price;
 - (e) the procedure for the exercise of any right of pre-emption and the transferability of subscription rights;
 - (f) the period during which the issue or offer of securities will remain open after issue of the listing document, the date and time of the opening of the subscription list, and the names of the receiving bankers;
(Note 5)
 - (g) the methods of and time limits for delivery of the securities and a statement whether temporary documents of title will be issued;

- (h) in the case of the issue being partly/fully underwritten, the names, addresses and descriptions of the persons underwriting the issue for the issuer and, where not all of the issue is underwritten, a statement of the portion not covered;
 - (i) details of any clauses in the underwriting agreement (if any) which may affect the obligations of the underwriter under the underwriting agreement after the opening of the issue;
 - (j) in the case of an offer for sale of securities, the names, addresses and descriptions of the vendor(s) of the securities or, if there are more than ten vendors, such details of the ten principal vendors and a statement of the number of other vendors and particulars of any beneficial interest possessed by any director of the issuer in any securities so offered for sale; and
 - (k) the date or approximate date on which it is expected that the results of an offer for subscription or offer for sale and the basis of allotment will be published on the GEM website as required by rule 16.13 and the newspaper (if any) in which the announcement is expected to appear and the date or appropriate date on which it is expected that the results of a placing will be published on the GEM website as required by rule 16.16.
16. Where listing is sought for securities with a fixed dividend, particulars of the profits cover for dividend.
17. Where the securities for which listing is sought were issued for cash within the 24 months immediately preceding the issue of the listing document, or will be issued for cash, a statement or an estimate of the net proceeds of the issue and a detailed statement as to how such proceeds were or are intended to be applied. *(Note 8)*
18. Where listing is sought for options, warrants or similar rights to subscribe or purchase equity securities:—
- (1) the maximum number of securities which could be issued on exercise of such rights;
 - (2) the period during which such rights may be exercised and the date when this right commences;
 - (3) the amount payable on the exercise of such rights;
 - (4) the arrangements for transfer or transmission of such rights;
 - (5) the rights of the holders on the liquidation of the issuer;
 - (6) the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer;
 - (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer; and
 - (8) a summary of any other material terms of the options, warrants or similar rights.
19. Where listing is sought for convertible equity securities:—
- (1) information concerning the nature of the equity securities to which the convertible equity securities relate and the rights attaching thereto; and
 - (2) the conditions of and procedures for conversion, exchange, subscription or purchase and details of the circumstances in which they may be amended.

20. (1) Particulars of any preliminary expenses incurred or proposed to be incurred and by whom the same are payable. *(Note 2)*
- (2) The amount or estimated amount of the expenses of the issue and of the application for listing so far as the same are not included in the statement of preliminary expenses and by whom the same are payable.
21. A statement of the net tangible asset backing for each class of security for which listing is sought, after making allowance for any new securities to be issued, as detailed in the listing document. *(Note 11)*
22. If known, the date on which dealings will commence.

Information about the issuer's capital

23. (1) The authorised share capital of the issuer, the amount issued or agreed to be issued, the amount paid up, the nominal value and a description of the shares.
- (2) The amount of any outstanding convertible debt securities and particulars of the conditions governing and the procedures for conversion, exchange or subscription of such securities.
24. Particulars of and the number of founder or management or deferred shares, if any, and the nature and extent of the interest of the holders in the property and profits of the group.
25. (1) The voting rights of shareholders.
- (2) If there is more than 1 class of shares, the rights of each class of shares as regards voting, dividend, capital, redemption, and the creation or issue of further shares ranking in priority to or *pari passu* with each class other than the lowest ranking equity.
- (3) A summary of the consents necessary for the variation of such rights.
26. Particulars of any alterations in the capital of any member of the group within the 2 years immediately preceding the issue of the listing document, including:—
- (1) where any such capital has been issued or is proposed to be issued as fully or partly paid up otherwise than in cash, particulars of the consideration for which the same has been or is proposed to be issued and in the latter case the extent to which they are so paid up; and
- (2) where any such capital has been issued or is proposed to be issued for cash, particulars of the price and terms upon which the same has been or is proposed to be issued, details of any discounts or other special terms granted and (if not already fully paid) the dates when any instalments are payable with the amount of all calls or instalments in arrear, or an appropriate negative statement. *(Note 3)*
27. Particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement. *(Note 3)*

Provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to participants under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

- 27A. Details of any controlling shareholder of the issuer, including the name or names of any such controlling shareholder, the amount of its or their interest in the share capital of the issuer and a statement explaining how the issuer is satisfied that it is capable of carrying on its business independently of the controlling shareholder (including any close associate thereof) after listing, and particulars of the matters that it relied on in making such statement.

General information about the group's activities

28. (1) (a) the general nature of the business of the group and, in cases where 2 or more activities are carried on which are material in terms of profits or losses, assets employed or any other factor, such figures and explanation as are necessary to demonstrate the relative importance of each such activity and details of the main categories of products sold and/or services performed. A commentary should be provided on this information covering changes in each such activity, developments within each such activity and their effects on the results of that activity. It should also include changes in market conditions, new products and services introduced or announced and their impact on the group's performance, changes in market share or position and changes in revenue and margins. If the group trades outside the country of incorporation or other establishment of the issuer a statement showing a geographical analysis of its trading operations. Where a material proportion of the group's assets are situated outside the country of incorporation or other establishment of the issuer, a statement giving the best practicable indication of the amount and situation of such assets and the amount of the assets situated in Hong Kong. (*Note 4*)
- (b) 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:—
- (i) a statement of the percentage of purchases attributable to the group's largest supplier;
 - (ii) a statement of the percentage of purchases attributable to the group's 5 largest suppliers combined;
 - (iii) a statement of the percentage of revenue from sales of goods or rendering of services attributable to the group's largest customer;
 - (iv) a statement of the percentage of revenue from sales of goods or rendering of services attributable to the group's 5 largest customers combined;
 - (v) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5 per cent of the number of issued shares of the issuer) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;
 - (vi) in the event that the percentage which would fall to be disclosed under (ii) above is less than 30, a statement of that fact shall be given and the information required in (i), (ii) and (v) (in respect of suppliers) may be omitted; and
 - (vii) in the event that the percentage which would fall to be disclosed under (iv) above is less than 30, a statement of that fact shall be given and the information required in (iii), (iv) and (v) (in respect of customers) may be omitted.

Sub-paragraph 28(1)(b) applies to all 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 issuers.

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

References to suppliers are primarily to those who provide goods or services which are specific to an issuer's business and which are required on a regular basis to enable the 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 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 issuers.

The Exchange must be consulted if there is any doubt about the application of sub-paragraph 28(1)(b). (*Note 9*)

- (2) If the issuer is a member of a group, a brief description of that group covering the issuer's position within that group and, if a subsidiary, the names of and the number of shares held (directly or indirectly) by each holding company of the issuer.
 - (3) Particulars of any contracts for the hire or hire purchase of plant to or by any member of the group for a period of over 1 year which are substantial in relation to the group's business.
 - (4) Particulars of any trade marks, patents or other intellectual or industrial property rights which are material in relation to the group's business and, where such factors are of fundamental importance to the group's business or profitability, a statement regarding the extent to which the group is dependent on such factors.
 - (5) Information concerning the policy of the group on the research and development of new products and processes over the past 24 months where significant.
 - (6) Particulars of any interruptions in the business of the group which may have or have had a significant effect on the financial position in the last 24 months.
 - (7) The number of people employed by the group and changes therein in the last 24 months, if such changes are material in the context of the group, with, if possible a breakdown of persons employed by main category of activity. Details of the remuneration of employees, remuneration policies, bonus and share option schemes and training schemes should be provided where relevant.
 - (8) Particulars, including location, of the principal investments (if any), including such investments as new plant, factories and research and development, being made or planned by the group. (*Note 3*)
29. (1) In regard to every company the whole of, or a substantial proportion of, whose capital is held or intended to be held (either directly or indirectly) by the issuer, or whose profits or assets make or will make a material contribution to the figures in the accountants' report or the next published accounts, particulars of the name, date and country of incorporation or other establishment, whether public or private, general nature of business, issued capital and the proportion thereof held or intended to be held.

- (2) In regard to the group, particulars of the location of the principal establishments. (*Note 3*)
- 30. In the case of an introduction, a statement that no change in the nature of the business is in contemplation.
- 31. (1) Particulars of any restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.
- (2) A statement of whether or not any issuer that is an overseas issuer will have sufficient foreign exchange to pay forecasted or planned dividends and to meet its foreign exchange liabilities as they become due, with particulars of the anticipated sources of foreign exchange. If an overseas issuer has no exposure to foreign exchange liabilities, a negative statement to that effect.

Financial information about the group and the prospects of the group

- 32. A statement as at the most recent practicable date (which must be stated) of the following on a consolidated basis if material:—
 - (1) the total amount of any debt securities of the group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured, or an appropriate negative statement;
 - (2) the total amount of all other borrowings or indebtedness in the nature of borrowing of the group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt, or an appropriate negative statement;
 - (3) all mortgages and charges of the group, or an appropriate negative statement; and
 - (4) the total amount of any contingent liabilities or guarantees of the group, or an appropriate negative statement.
 - (5) a commentary on:—
 - (a) 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; and

Intra-group liabilities should normally be disregarded, a statement to that effect being made where necessary. (*Notes 3 and 4*)

- 33. (1) A statement showing the revenue of the group during the 2 financial years immediately preceding the issue of the listing document which should contain an explanation of the method used for computation of such revenue and a reasonable breakdown between the more important trading activities. In the case of a group, intra-group sales should be excluded.

(2) The following information in respect of directors' emoluments:—

- (a) the aggregate of the directors' fees for each of the 2 financial years immediately preceding the issue of the listing document;
- (b) the aggregate of the directors' basic salaries, housing allowances, other allowances and benefits in kind for each of the 2 financial years immediately preceding the issue of the listing document;
- (c) the aggregate of contributions to pension schemes for directors or past directors for each of the 2 financial years immediately preceding the issue of the listing document;
- (d) the aggregate of bonuses paid to or receivable by the directors which are discretionary or are based on the issuer's, the group's or any member of the group's performance (excluding amounts disclosed in (e) and (f) below) for each of the 2 financial years immediately preceding the issue of the listing document;
- (e) the aggregate of amounts paid to or receivable by the directors for each of the 2 financial years immediately preceding the issue of the listing document as an inducement to join or upon joining the issuer;
- (f) the aggregate of compensation paid to or receivable by the directors or past directors for each of the 2 financial years immediately preceding the issue of the listing document 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 (b) to (e) above); and
- (g) particulars of any arrangement under which a director has waived or agreed to waive any emoluments for each of the 2 financial years immediately preceding the issue of the listing document.

Sub-paragraphs (b) to (f) inclusive require an analysis of the amounts which must be disclosed in the accounts of an issuer incorporated in Hong Kong under the provisions of section 383(1)(a) to (c) (inclusive) of the Companies Ordinance. The requirements of section 383(1)(a) to (c) (inclusive) have, for the purposes of the GEM Listing Rules, been applied to issuers incorporated or otherwise established outside Hong Kong.

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 must be disclosed under sub-paragraph (b) above.

In addition to discretionary bonus payments, all bonus payments to which a director is contractually entitled and are not fixed in amount, together with the basis upon which they are determined must be disclosed under sub-paragraph (d) above.

The information required pursuant to sub-paragraph (2) above must be analysed by individual director or past director and such that it is apparent as to which are the independent non-executive directors (if any) (but without any obligation to disclose any individual by name).
(Note 9)

(3) 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 issuer or the group for the year. Where all 5 of these individuals are directors of the issuer

and the information required to be disclosed by this paragraph has been disclosed in directors' emoluments as required by paragraph 33(2), a statement of this fact shall be made and no additional disclosure is required. Where the details of 1 or more of the individuals whose emoluments were the highest have not been included in directors' emoluments, the following information shall be disclosed:—

- (a) the aggregate of basic salaries, housing allowances, other allowances and benefits in kind for each of the 2 financial years immediately preceding the issue of the listing document;
- (b) the aggregate of contributions to pension schemes for each of the 2 financial years immediately preceding the issue of the listing document;
- (c) the aggregate of bonuses paid or receivable which are discretionary or are based on the issuer's, the group's or any member of the group's performance (excluding amounts disclosed in (d) and (e) below) for each of the 2 financial years immediately preceding the issue of the listing document;
- (d) the aggregate of amounts paid or receivable for each of the 2 financial years immediately preceding the issue of the listing document as an inducement to join or upon joining the issuer or the group; and
- (e) the aggregate of compensation or receivable for paid each of the 2 financial years immediately preceding the issue of the listing document for the loss of any 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 (a) to (d) above).

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

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.

- (4) The following information in addition to the information required under the relevant accounting standard in respect of pension schemes:—
 - (a) a brief outline of how contributions are calculated or benefits funded;
 - (b) 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
 - (c) in the case of defined benefit plans, an outline of the results of the most recent formal actuarial valuation or later formal review of the scheme on an ongoing basis. This should include disclosure of:—
 - (i) the name and qualifications of the actuary, the actuarial method used and a brief description of the main actuarial assumptions;

- (ii) 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);
 - (iii) the level of funding expressed in percentage terms; and
 - (iv) comments on any material surplus or deficiency (including quantification of the deficiency) indicated by (iii) above.
- (5) Except where the issuer is a banking company, a statement of the reserves available for distribution to shareholders by the issuer as at the end of the period reported on.
- 34. (1) The issuer must determine in advance with its Sponsor whether to include a profit forecast in a listing document. Where a profit forecast appears in any listing document, it must be clear, unambiguous and presented in an explicit manner and the principal assumptions, including commercial assumptions, upon which it is based, must be stated. The accounting policies and calculations for the forecast must be examined and reported on by the reporting accountants and their report must be set out. The Sponsor must report in addition that it has satisfied itself that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out.

A "profit forecast" for this purpose means any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses, either expressly or by reference to previous profits or losses or any other benchmark or point of reference. It also includes any profit estimate, being any estimate of profits or losses for a financial period which has expired but for which the results have not yet been audited or published. Any valuation of assets (except property interests (as defined in rule 8.01(3)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows is regarded as a profit forecast.
- (2) Details (if applicable) of the information set out in rules 17.15 to 17.21 concerning the financial exposure of the issuer to borrowers and other relevant information.
- 35. A statement of whether or not the accountants' report is qualified or modified by the reporting accountants and if so, such qualification or modification must be reproduced in full and the reasons for such qualification or modification given.
- 36. A statement by the directors that in their opinion the working capital available to the group is sufficient for the group's requirements for at least 12 months from the date of publication of the listing document or, if not, how it is proposed to provide the additional working capital thought by the directors to be necessary. *(Note 3)*

Note: In the case of a Mineral Company, a statement by the directors that in their opinion the issuer has available sufficient working capital for 125% of the group's present requirements.
- 37. An accountants' report in accordance with Chapter 7.
- 38. A statement by the directors of any material adverse change in the financial or trading position of the group since the end of the period reported on in the accountants' report, or an appropriate negative statement.
- 39. [Repealed 1 January 2012]
- 40. Particulars of any litigation or claims of material importance pending or threatened against any member of the group, or an appropriate negative statement. *(Note 3)*

Information about the issuer's management

41. (1) The full name, residential or business address of every director and senior manager or proposed director and senior manager. In addition, brief biographical details in respect of the directors, proposed directors, senior managers and proposed senior managers of the issuer shall be provided. Such details will include name, age, positions held with the issuer and other members of the issuer's group, length of service with the issuer and the group including current and past directorships in other listed public companies in the last three years and such other information (which may include business experience) of which shareholders should be aware, pertaining to the ability or integrity of such persons. As regards the biographical details in respect of each director, proposed director, supervisor and proposed supervisor, such details must not be less than those required to be disclosed in an announcement relating to the appointment or re-designation of the director or supervisor pursuant to rule 17.50(2). 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 a 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 or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the issuer which would fall to be disclosed to the issuer under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, that fact shall be stated. *(Notes 9 and 12)*

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

- (2) Where the issuer is a Mineral Company and wishes to apply for a waiver of the trading record period requirement under rule 18A.04, the relevant management expertise and experience of such persons described in paragraph 41(1) of at least five years relevant to the exploration and/or extraction activity that the Mineral Company is pursuing.
42. (1) The full names and professional qualifications, if any, of:—
- (a) the secretary of the issuer;
 - (b) the compliance officer of the issuer appointed pursuant to rule 5.19.
- (2) The names of the individuals appointed to the issuer's audit committee, their background and directorships (and past directorships), if any, of other companies listed on GEM, the Main Board or other exchanges, and a description of the functions of the audit committee.
43. The situation of the registered office and, if different, the head office and transfer office.
44. Details of any share option schemes to which Chapter 23 applies.
45. (1) A statement showing the interests or short positions of each director and chief executive of the issuer in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which:—
- (a) will have to be notified to the issuer and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which he is taken or deemed to have under such provisions of Securities and Futures Ordinance) once the issuer's securities are listed; or

- (b) will be required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, once the issuer's securities are listed; or
- (c) will be required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the issuer and the Exchange once the issuer's securities are listed;

or an appropriate negative statement. Provided that the Exchange may agree in its sole discretion that compliance with this 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 or short position under Part XV of the Securities and Futures Ordinance is such that compliance with this paragraph would result in particulars being given which are not material in the context of the group and are excessive in length.

- (2) The information required to be included by virtue of paragraph 45(1) of Appendix 1A must specify the company in which interests or short positions are held, the class to which those 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.

- (3) A statement showing the name, so far as is known to any director or chief executive of the issuer, of each person, other than a director or chief executive of the issuer, who has an interest or short position in the shares or underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the issued voting shares of any other member of the group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such securities, or, if there are no such interests or short positions, an appropriate negative statement. (Note 3)

(Notes 6 and 9)

- (4) 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.

45A. 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.*

(Note 7)

45B. 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.*

(Note 7)

- 45C. 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 paragraph 45B, except that note (3) to paragraph 45B(1) does not apply.

(Note 7)

46. (1) Particulars of directors' existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within 1 year without payment of compensation (other than statutory compensation)), or an appropriate negative statement.
- (2) The aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer by any member of the group in respect of the last completed financial year under any description whatsoever.
- (3) An estimate of the aggregate remuneration payable to, and benefits in kind receivable by, the directors or any proposed directors of the issuer by any member of the group in respect of the current financial year under the arrangements in force at the date of the listing document.
- (Notes 3 and 9)*
- (4) A summary of the issuer's policies concerning the remuneration of executive directors.
47. (1) Full particulars of the nature and extent of the interest, direct or indirect, if any, of every director or proposed director or expert (as named in the listing document), in the promotion of, or in any assets which have been, within the 2 years immediately preceding the issue of the listing document, acquired or disposed of by or leased to any member of the group, or are proposed to be acquired or disposed of by or leased to any member of the group, including:—

- (a) the consideration passing to or from any member of the group; and
- (b) short particulars of all transactions relating to any such assets which have taken place within such period or which are to take place,

or an appropriate negative statement. *(Note 2)*

- (2) Full particulars of any contract or arrangement subsisting at the date of the listing document in which a director of the issuer is materially interested and which is significant in relation to the business of the group, or an appropriate negative statement. *(Notes 3 and 9)*

Use of Proceeds

48. Otherwise than on an introduction, a detailed explanation of the intended use of the proceeds of the issue. The explanation must, so far as practicable, be given by reference to the content of the issuer's statement of business objectives contained in the listing document (thereby providing an indication of the timing of the deployment of the proceeds). (*Note 8*)
49. (1) Where relevant, as respects any property to which this paragraph applies:—
- (a) the names and addresses of the vendors;
 - (b) the amount payable in cash, shares or debentures to the vendor and, where there is more than 1 separate vendor, or the company is a sub-purchaser, the amount so payable to each vendor; and
 - (c) short particulars of any transaction relating to the property completed within the 2 preceding years in which any vendor of the property to the company or any person who is, or was at the time of the transaction, a promoter or a director or proposed director of the company had any interest direct or indirect. (*Note 9*)
- (2) The property to which this paragraph applies is property purchased or acquired by the issuer or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue or the purchase or acquisition of which has not been completed at the date of the issue of the listing document, other than property:—
- (a) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the issuer's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or
 - (b) as respects which the amount of the purchase money is not material.
50. The amount, if any, paid or payable as purchase money in cash, shares or debentures for any property to which paragraph 49 applies, specifying the amount, if any, payable for goodwill.

Information on property interests

- 50A. Where required by Chapter 8, information set out in that Chapter.

Material contracts and documents for inspection

51. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the group within the 2 years immediately preceding the issue of the listing document, together with a summary of the principal contents of such contracts and particulars of any consideration passing to or from any member of the group. (*Note 3*)
52. Details of a reasonable period of time (being not less than 14 days) during which and a place in Hong Kong at which the following documents (or copies thereof) where applicable may be inspected:—
- (1) the memorandum and articles of association or equivalent documents of the issuer;
 - (2) each contract disclosed pursuant to paragraphs 46(1) and 51 or, in the case of a contract not reduced into writing, a memorandum giving full particulars thereof;
 - (3) all reports, letters or other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in the listing document;

- (4) a written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons therefor; and
- (5) the audited accounts of the issuer or, in the case of a group, the consolidated audited accounts of the issuer and its subsidiaries for each of the 2 financial years immediately preceding the issue of the listing document together with (in the case of a Hong Kong issuer) all notes, certificates or information required by the Companies Ordinance.

(Note 3)

Miscellaneous

53. In the exceptional circumstances where the Exchange has waived compliance with the requirement that the business of the issuer must have been under substantially the same management and ownership under rule 11.12A, details of any material change in the management or ownership of the issuer during the track record period of two financial years immediately preceding the issue of the listing document (as referred to in rule 11.12A).
54. Information:
 - (1) as required by rule 6A.10(2) regarding interests of the Sponsor and its directors, employees and close associates; and
 - (2) as to the interests of all directors, controlling shareholders and substantial shareholders of the issuer and their respective close associates (as referred to in rule 11.04). (Note 9)
55. To the extent received or known by the issuer prior to issue of the listing document, details of any undertakings given or to be given by controlling shareholders concerning restrictions on disposal of shares of the issuer (as referred to in rules 13.15 to 13.20).
56. All information required to be disclosed pursuant to Chapter 20 in relation to any continuing transaction or proposed transaction that would constitute a connected transaction after listing (if any).

Additional information on PRC issuers

(Paragraphs 57 to 68 apply to the PRC issuers only)

57. Where a public or private issue or placing of securities of the PRC issuer other than H shares is being made simultaneously with the issue of H shares in Hong Kong or is proposed to be made as part of such PRC issuer's share issue plan which was approved at the inaugural meeting or any shareholders' meeting of the PRC issuer:—
 - (1) information concerning such securities and such issue or placing, including the information described in paragraphs 11, 15, 17, 20, 22, 25, 48, 49 and 50;
 - (2) a statement of whether or not such issue plan has been approved by China Securities Regulatory Commission or such other competent state council securities regulatory authority and the timetable for the share issues under such plan, and if such plan has not been approved, when such approval is expected;
 - (3) a statement of whether or not the issue in Hong Kong is conditional (in whole or in part) on such issue or placing of securities;
 - (4) a description of the effect on the PRC issuer's statement of business objectives and financial condition (including profit forecast, if any) if such issue or placing of securities is not completed in the manner described in the listing document or if the share issue plan referred to in (2) above is not approved by the expected date;

- (5) if such securities are not admitted for listing on any stock exchange, a statement of whether there is (or is proposed to be) trading or dealing in such securities on any other authorised trading facility in the PRC;
 - (6) a breakdown of the PRC issuer's shares issued or proposed to be issued; and
 - (7) information concerning each legal person or individual expected to hold domestic shares or foreign shares other than H shares constituting 10 per cent or more of the issued share capital of the PRC issuer upon the completion of such issue or placing of domestic shares or foreign shares other than H shares, and the number of domestic shares or foreign shares other than H shares to be held by each such legal person or individual.
58. Where any securities of the PRC issuer are already issued and outstanding:—
- (1) information concerning such securities, including the information described in paragraphs 11, 23 and 25;
 - (2) if such securities are not admitted for listing on any stock exchange, a statement of whether there is trading or dealing in such securities on any other authorised trading facility in the PRC;
 - (3) a breakdown of the PRC issuer's shares already issued; and
 - (4) information concerning each legal person or individual holding such securities constituting 10 per cent or more of the existing issued share capital of the PRC issuer, and the number of shares held by each such legal person or individual.
59. Particulars of the quorum and voting requirements for general meetings of shareholders and for separate meetings of holders of domestic shares and foreign shares (and, if applicable, H shares).
60. Particulars of the legal form(s) and enabling PRC law under which the PRC issuer operated at any time during the period under rule 11.12A and prior to its conversion into a joint stock limited company.
61. In regard to every company referred to in paragraph 29(1) which is an equity joint venture or which operates as or under a cooperative or contractual joint venture, particulars of the joint venture arrangement including the names of all joint venture partners; their respective capital contributions and percentage interests in the profits, dividends or other distributions of the joint venture; the term of the joint venture; any pre-emptive rights of the joint venture partners and other restrictions on the sale, assignment or transfer of a partner's interest in the joint venture; arrangements concerning the management of the joint venture's business and operations; any special supply, production or licensing arrangements involving any of the joint venture partners; provisions on termination of the joint venture; and any other material terms of the joint venture contract.
62. A statement of whether or not the PRC issuer has applied or intends to apply for the status of a sino-foreign investment joint stock limited company (中外合資股份有限公司) and whether or not the issuer is or expects to be subject to the PRC Sino-Foreign Joint Venture Law (中外合資經營企業法).
63. Particulars of the tax rates applicable to the PRC issuer's income or profits during the period under rule 11.12A and in the next 3 years, including any preferential tax rates or exemptions.
64. A statement of whether or not the PRC issuer will have sufficient foreign exchange to pay forecasted or planned dividends on H shares and to meet its foreign exchange liabilities as they become due, with particulars of the anticipated sources of such foreign exchange.

65. In an appropriately prominent place and manner in the listing document, the statements by the acquirer of shares required to be in a PRC issuer's listing document pursuant to rule 25.39.
66. A general statement on the front page of the listing document to the following effect:
- “The Company is incorporated, and its businesses are located, in the mainland of the People's Republic of China (“Mainland”). Potential investors in the Company should be aware of the differences in the legal, economic and financial systems between the Mainland and Hong Kong, the Special Administrative Region of the People's Republic of China (“HKSAR”) and that there are different risk factors relating to investment in Mainland-incorporated businesses. Potential investors should also be aware that the regulatory framework in the Mainland is different from the regulatory framework in HKSAR and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in the sections headed ‘.....’ on pages”
67. The risk factors section shall include, among other things, a brief description of:
- (a) the PRC laws and regulations relevant to the business of the PRC issuer;
 - (b) the political structure and economic environment of the PRC;
 - (c) foreign exchange controls in the PRC and the exchange rate risk of the Renminbi;
 - (d) the different regulatory framework for PRC issuers listing outside the mainland of the PRC;
 - (e) specific risk factors related to the business of the PRC issuer and/or its products; and
 - (f) the law(s) governing the resolution of disputes arising from the PRC issuer's articles of association and the transfer of the PRC issuer's shares.
68. A description of applicable company law matters including material differences between the requirements of the PRC and of Hong Kong. Such description should include the following:
- (a) the quorum and voting requirements for general meetings of shareholders and for separate meetings of holders of domestic shares and foreign shares (and, if applicable, H shares);
 - (b) the PRC issuer's ability, by way of a special resolution in a general meeting, to issue, allot or grant up to 20 per cent of its existing share capital in domestic shares and/or foreign shares (and, if applicable, H shares) once every 12 months, without a separate vote by holders of foreign shares;
 - (c) the PRC issuer's ability to issue domestic shares and foreign shares (and, if applicable, H shares) pursuant to a share issue plan adopted at the inaugural meeting of the PRC issuer without a separate vote by holders of foreign shares;
 - (d) any right of action a shareholder may have against directors of the PRC issuer;
 - (e) the special features of arbitration; and
 - (f) the standard of shareholder protection, which is different from that generally available in Hong Kong.

NOTES

- 1 *In cases where the directors of the issuer are responsible for part of the listing document, the directors of another company being responsible for the remainder, the statement should be appropriately adapted. In exceptional cases the Exchange may require other persons to give, or join in, the statement of responsibility in which case the listing document should also be modified appropriately.*
- 2 *In the case of an issuer which has carried on the same business for more than 2 years immediately preceding the issue of the listing document, application may be made to the Exchange to dispense with the requirements of paragraphs 8, 20(1) and 47, in so far as it relates to interests in the promotion.*
- 3 *Under paragraphs 13, 26, 27, 28, 29(2), 32, 36, 40, 45(3), 46, 47, 51 and 52, reference to the group is to be construed as including any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.*
- 4 *[Repealed 1 April 2015]*
- 5 *Any right to revise or extend the offer period or period during which the subscription list is open, as stipulated in the listing document must:—*
 - (a) *be limited to possible delays caused by a tropical cyclone warning signal or such similar extraneous factors affecting whether the stated closing date is a banking day or not, as are acceptable to the Exchange; and*
 - (b) *be set out in the details included in the listing document; and*

subject to any such qualifications acceptable to the Exchange, the closing date of the offer period and the period during which the subscription list is open, as stated in the listing document, may not be revised or extended and may not be subject to any unilateral right on the part of the issuer, the underwriter or any other person to revise or extend such date or period.
- 6 *Particulars should be given of the extent of any duplication which occurs.*
- 7 *Issuers who are in any doubt as to the appropriate category in which an interest or short position should be shown are encouraged to consult the Exchange for further guidance.*
- 8 *Where the listing document refers to an amount proposed to be raised in excess of the minimum amount indicated under paragraph 15(2), the listing document must explain the impact to the issuer and its statement of business objectives of raising such excess amount. In this regard, a statement that the excess will represent working capital shall not be adequate, unless a reasonably detailed explanation is given as to how such working capital is to be applied.*

9. *References to directors or proposed directors in paragraphs 13, 28(1), 33(2), 41, 45, 46, 47 49(1) and 54 shall also mean and include supervisors and proposed supervisors, as appropriate. For purposes of applying paragraph 45 to each supervisor of a PRC issuer, paragraph 45 should be interpreted as if Part XV of the Securities and Futures Ordinance applied to such persons to the same extent as directors.*
10. *[Repealed 1 July 2008]*
11. *Where an issuer has caused any property interests to be valued (in accordance with Chapter 8) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to its initial public offer, the issuer is required to state in its prospectus, by way of note to the adjusted net tangible asset statement, the additional depreciation (if any) that would be charged against the income statement had such assets been stated at valuation.*
12. *For the purposes of paragraph 41 “other listed public companies” means other public companies the securities of which are listed on any securities market in Hong Kong (including but not limited to the Main Board and GEM) or overseas.*

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part B

Equity Securities

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

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

1. The full name of the issuer.
2. A statement as follows:—

“This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.” *(Note 1)*
3. The names and addresses of the issuer’s principal bankers, Sponsor (in the case of an issuer that is required to have, or otherwise retains, a Sponsor), financial adviser, authorised representatives, solicitors, registrars and trustees (if any) and of the solicitors to the issue.
4. The name, address and professional qualifications of the auditors.
5. Where the listing document includes a statement purporting to be made by an expert, a statement:—
 - (1) specifying the qualifications of such expert and whether such expert has any shareholding in any member of the group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the group and, if so, a full description thereof;
 - (2) that the expert has given and has not withdrawn his written consent to the issue of the listing document with the expert’s statement included in the form and context in which it is included; and
 - (3) of the date on which the expert’s statement was made and whether or not it was made by the expert for incorporation in the listing document.

6. Particulars of any other stock exchange on which any part of the equity or debt securities of the issuer is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought particulars of the dealing and settlement arrangements on each such exchange and between such exchanges, or an appropriate negative statement.
7. Particulars of any arrangement under which future dividends are waived or agreed to be waived.
8. Particulars of any commissions, discounts, brokerages or other special terms granted since the date to which the latest published audited accounts of the issuer were made up in connection with the issue or sale of any capital of any member of the group, together with the names of any directors or proposed directors, promoters or experts (as named in the listing document) who received any such payment or benefit and the amount or rate of the payment or benefit they received, or an appropriate negative statement. *(Notes 2 and 8)*

8A [Repealed 1 January 2009]

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.
10.
 - (1) The nature and amount of the issue including the number (or, if not yet determinable, the minimum and maximum number) of securities which have been or will be created and/or issued, if predetermined.
 - (2) Whether or not, and if so to what extent, the issue has been underwritten and, if not fully underwritten, the minimum amount of capital, if any, which the issuer must raise for the issue to proceed.
11. Where the securities for which listing is sought were issued for cash since the date to which the latest published audited accounts of the issuer were made up, or will be issued for cash, a statement or an estimate of the net proceeds of the issue and a detailed explanation as to how such proceeds were or are intended to be applied. *(Note 3)*
12. The amount or estimated amount of the expenses of the issue and of the application for listing and by whom the same are payable.
13. A statement of the net tangible asset backing for each class of security for which listing is sought, after making allowance for any new securities to be issued, as detailed in the listing document.
14. If known, the date on which dealings will commence.

15. Where the securities for which listing is sought are allotted by way of exchange or substitution, an explanation of the financial effects thereof and the effect on existing share rights.
16. Where the securities for which listing is sought are allotted by way of capitalisation of reserves or profits or by way of bonus to the holders of an existing security, a statement as to the pro rata entitlement, the last date on which transfers were or will be accepted for registration for participation in the issue, how the securities rank for dividend, whether the securities rank pari passu with any listed securities, the nature of the document of title, its proposed date of issue and whether or not it is renounceable and how fractions (if any) are to be treated.
17. Where listing is sought for shares which will not be identical with shares already listed:—
 - (1) a statement of the rights as regards dividend, capital, redemption and voting attached to such shares and (except as regards the lowest ranking equity) as to the right of the issuer to create or issue further shares ranking in priority thereto or pari passu therewith; and
 - (2) a summary of the consents necessary for the variation of such rights.
18. Where the securities for which listing is sought are offered by way of rights or by way of an open offer to the holders of an existing listed security, a statement as to:—
 - (1) how securities not taken up will be dealt with and the time, being not less than 10 business days, in which the offer may be accepted. In cases where the issuer has a large number of overseas members a longer offer period may be desirable, provided that the Exchange must be consulted if the issuer proposes an offer period of over 15 business days; (*Note 4*)
 - (2) the pro rata entitlement (if applicable), the last date on which transfers were accepted for registration for participation in the issue, how the securities rank for dividend, whether the securities rank pari passu with any listed securities, the nature of the document of title and its proposed date of issue, and how fractions (if any) are to be treated;
 - (3) whether the board of directors has received any information from any substantial shareholders of their intention to take up the securities provisionally allotted or offered to them or to be provisionally allotted or offered to them and particulars thereof; and
 - (4) the matters required to be disclosed by rules 10.25, 10.27, 10.28, 10.29, 10.29A and 10.31 (in the case of a rights issue) and 10.36, 10.38, 10.39, 10.39A and 10.42 (in the case of an open offer) and/or 20.90(2)(b), as appropriate.
19. Where listing is sought for securities with a fixed dividend, particulars of the profits cover for dividend.
20. Where listing is sought for options, warrants or similar rights to subscribe or purchase equity securities:—
 - (1) the maximum number of securities which could be issued on exercise of such rights;
 - (2) the period during which such rights may be exercised and the date when this right commences;
 - (3) the amount payable on the exercise of such rights;
 - (4) the arrangements for transfer or transmission of such rights;
 - (5) the rights of the holders on the liquidation of the issuer;
 - (6) the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer;

- (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer; and
- (8) a summary of any other material terms of the options, warrants or similar rights.

21. Where listing is sought for convertible equity securities:—

- (1) information concerning the nature of the equity securities to which the convertible equity securities relate and the rights attaching thereto; and
- (2) the conditions of and procedures for conversion, exchange, subscription or purchase and details of the circumstances in which they may be amended.

Information about the issuer's capital

- 22. (1) The authorised share capital of the issuer, the amount issued or agreed to be issued, the amount paid up, the nominal value and a description of the shares.
- (2) The amount of any outstanding convertible debt securities and particulars of the conditions governing and the procedures for conversion, exchange or subscription of such securities.
- 23. Particulars of and the number of founder or management or deferred shares, if any, and the nature and extent of the interest of the holders in the property and profits of the group.
- 24. Particulars of any alterations in the capital of any member of the group since the date to which the latest published audited accounts of the issuer were made up, including:—
 - (1) where any such capital has been issued or is proposed to be issued as fully or partly paid up otherwise than in cash, particulars of the consideration for which the same has been or is proposed to be issued and in the latter case, the extent to which they are so paid up; and
 - (2) where any such capital has been issued or is proposed to be issued for cash, particulars of the price and terms upon which the same has been or is proposed to be issued, details of any discounts or other special terms granted and (if not already fully paid) the dates when any instalments are payable with the amount of all calls or instalments in arrear,

or an appropriate negative statement. *(Note 2)*

- 25. Particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement. *(Note 2)*

Provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to participants under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

General information about the group's activities

- 26. (1) (a) The general nature of the business of the group and, in cases where 2 or more activities are carried on which are material in terms of profits or losses, assets employed or any other factor, such figures and explanation as are necessary to demonstrate the relative importance of each such activity and details of the main categories of products sold and/or services performed and an indication of any significant new products and/or activities. If the group trades outside the country of incorporation or other establishment of the issuer a statement showing a geographical analysis of its trading operations.

Where a material proportion of the group's assets are situated outside the country of incorporation or other establishment of the issuer, a statement giving the best practicable indication of the amount and situation of such assets and the amount of the assets situated in Hong Kong. (*Note 5*)

- (b) 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:—
- (i) a statement of the percentage of purchases attributable to the group's largest supplier;
 - (ii) a statement of the percentage of purchases attributable to the group's 5 largest suppliers combined;
 - (iii) a statement of the percentage of revenue from sales of goods or rendering of services attributable to the group's largest customer;
 - (iv) a statement of the percentage of revenue from sales of goods or rendering of services attributable to the group's 5 largest customers combined;
 - (v) a statement of the interests of any of the directors; their close associates; or any shareholder (which to the knowledge of the directors owns more than 5 per cent of the number of issued shares of the issuer) in the suppliers or customers disclosed under (i) to (iv) above or if there are no such interests a statement to that effect;
 - (vi) in the event that the percentage which would fall to be disclosed under (ii) above is less than 30, a statement of that fact shall be given and the information required in (i), (ii) and (v) (in respect of suppliers) may be omitted; and
 - (vii) in the event that the percentage which would fall to be disclosed under (iv) above is less than 30, a statement of that fact shall be given and the information required in (iii), (iv) and (v) (in respect of customers) may be omitted.

Sub-paragraph 26(1)(b) applies to all 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 issuers.

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

References to suppliers are primarily to those who provide goods or services which are specific to an issuer's business and which are required on a regular basis to enable the 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 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 issuers.

The Exchange must be consulted if there is any doubt about the application of sub-paragraph 26(1)(b) (*Note 8*).

- (2) Particulars of any contracts for the hire or hire purchase of plant to or by any member of the group for a period of over 1 year which are substantial in relation to the group's business.
- (3) Particulars of any trade marks, patents or other intellectual or industrial property rights which are material in relation to the group's business and, where such factors are of fundamental importance to the group's business or profitability, a statement regarding the extent to which the group is dependent on such factors.
- (4) Particulars of any interruptions in the business of the group which may have or have had a significant effect on the financial position in the last 12 months.
- (5) Particulars, including location, of the principal investments (if any), including such investments as new plant, factories and research and development, being made or planned by the group.

(Note 2)

27. (1) Particulars of any restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.
- (2) A statement of whether or not any issuer that is an overseas issuer will have sufficient foreign exchange to pay forecasted or planned dividends and to meet its foreign exchange liabilities as they become due, with particulars of the anticipated sources of foreign exchange. If an overseas issuer has no exposure to foreign exchange liabilities, a negative statement to that effect.

Financial information about the group and the prospects of the group

28. A statement as at the most recent practicable date (which must be stated) of the following on a consolidated basis if material:—
 - (1) the total amount of any debt securities of the group issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) and unsecured, or an appropriate negative statement;
 - (2) the total amount of all other borrowings or indebtedness in the nature of borrowing of the group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt, or an appropriate negative statement;
 - (3) all mortgages and charges of the group, or an appropriate negative statement; and
 - (4) the total amount of any contingent liabilities or guarantees of the group, or an appropriate negative statement.

Intra-group liabilities should normally be disregarded, a statement to that effect being made where necessary. (Notes 2 and 5)

29. (1) (a) General information on the trend of the business of the group since the date to which the latest published audited accounts of the issuer were made up; and
 - (b) a statement as to the financial and trading prospects of the group for at least the current financial year, together with any material information which may be relevant thereto, including all special trade factors or risks (if any) which are not mentioned elsewhere in

the listing document and which are unlikely to be known or anticipated by the general public, and which could materially affect the profits. (*Note 2*)

- (2) The issuer must determine in advance with its financial adviser whether to include a profit forecast in a listing document. Where a profit forecast appears in any listing document, it must be clear, unambiguous and presented in an explicit manner and the principal assumptions, including commercial assumptions, upon which it is based, must be stated. The accounting policies and calculations for the forecast must be examined and reported on by the reporting accountants or auditors, as appropriate, and their report must be set out. The financial adviser must report in addition that it has satisfied itself that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out.

A “profit forecast” for this purpose means any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses, either expressly or by reference to previous profits or losses or any other benchmark or point of reference. It also includes any profit estimate, being any estimate of profits or losses for a financial period which has expired but for which the results have not yet been published. Any valuation of assets (except property interests (as defined in rule 8.01(3)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows is regarded as a profit forecast.

- (3) Details (if applicable) of the information set out in rules 17.15 to 17.21 concerning the financial exposure of the issuer to borrowers and other relevant information.
30. A statement by the directors that in their opinion the working capital available to the group is sufficient for the group’s requirements for at least 12 months from the date of publication of the listing document or, if not, how it is proposed to provide the additional working capital thought by the directors to be necessary. (*Note 2*)
31. (1) Where required by Chapter 7, a report by the reporting accountants in accordance with that Chapter.
- (2) If after the date to which the latest published audited accounts of the issuer have been made up, any member of the group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors’ report or next published accounts of the issuer:—
- (a) a statement of the general nature of the business or of the business of the company in which an interest has been or is being acquired, together with particulars of the situation of the principal establishments and of the principal products;
- (b) a statement of the aggregate value of the consideration for the acquisition and how it was or is to be satisfied; and
- (c) if the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company will be varied in consequence of the acquisition, full particulars of such variation; if there will be no variation, a statement to that effect. (*Note 8*)
- (3) Information for the last 3 financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year:—
- (a) for the group; and

- (b) for any company acquired since the date of the last published audited accounts of the group in respect of which an accountants' report has already been submitted to shareholders or which was itself during the last 12 months a listed issuer.

(Note 10)

- 32. A statement by the directors of any material adverse change in the financial or trading position of the group since the date to which the latest published audited accounts of the issuer have been made up, or an appropriate negative statement.
- 33. Particulars of any litigation or claims of material importance pending or threatened against any member of the group, or an appropriate negative statement. *(Note 2)*

Information about the issuer's management

- 34. The full name, residential or business address of every director and senior manager or proposed director and senior manager. In addition, brief biographical details in respect of the directors, proposed directors, senior managers and proposed senior managers of the issuer shall be provided. Such details will include name, age, positions held with the issuer and other members of the issuer's group, length of service with the issuer and the group including current and past directorships in other listed public companies in the last three years 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 a 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 or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, that fact shall be stated.

It is the responsibility of the directors of the issuer to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries and heads of divisions, departments or other operating units within the group as senior management as, in the opinion of the issuer's directors, is appropriate. *(Notes 8 and 9)*

- 35. (1) The full names and professional qualifications, if any, of:—
 - (a) the secretary of the issuer; and
 - (b) the compliance officer to the issuer appointed pursuant to rule 5.19.
- (2) The names of the individuals appointed to the issuer's audit committee, their background and directorships (and past directorships), if any, of other companies listed on GEM, the Main Board or other exchanges, and a description of the functions of the audit committee.
- 36. The situation of the registered office and, if different, the head office and transfer office.
- 37. Details of any share option schemes to which Chapter 23 applies.

38. (1) A statement showing the interests or short positions of each director and chief executive of the issuer in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which:—

- (a) are required to be notified to the issuer and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which he is taken or deemed to have under such provisions of the Securities and Futures Ordinance); or
- (b) are required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or
- (c) are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the issuer and the Exchange;

or an appropriate negative statement. Provided that the Exchange may agree in its sole discretion that compliance with this 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 or short position under Part XV of the Securities and Futures Ordinance is such that compliance with this paragraph would result in particulars being given which are not material in the context of the group and are excessive in length.

(2) The information required to be included by virtue of paragraph 38(1) of Appendix 1B must specify the company in which interests or short positions are held, the class to which those 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.

(3) A statement showing the name, so far as is known to any director or chief executive of the issuer, of each person, other than a director or chief executive of the issuer, who has an interest or short position in the shares or underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the issued voting shares of any other member of the group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such securities, or, if there are no such interests or short positions, an appropriate negative statement. (Note 2)

(Notes 6 and 8)

- (4) 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.

38A. 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.*

(Note 7)

38B. 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.*

(Note 7)

- 38C. 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 paragraph 38B, except that note (3) to paragraph 38B(1) does not apply.

(Note 7)

39. Particulars of directors' existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within 1 year without payment of compensation (other than statutory compensation)), or an appropriate negative statement. *(Notes 2 and 8)*
40. (1) Full particulars of the nature and extent of the interest, direct or indirect, if any, of every director or proposed director or expert (as named in the listing document) in any assets which have been, since the date to which the latest published audited accounts of the issuer were made up, acquired or disposed of by or leased to any member of the group, or are proposed to be acquired or disposed of by or leased to any member of the group, including:—
- (a) the consideration passing to or from any member of the group; and
 - (b) short particulars of all transactions relating to any such assets which have taken place within such period,
- or an appropriate negative statement.

- (2) Full particulars of any contract or arrangement subsisting at the date of the listing document in which a director of the issuer is materially interested and which is significant in relation to the business of the group, or an appropriate negative statement.

(Notes 2 and 8)

Material contracts and documents for inspection

41. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the group within the 2 years immediately preceding the issue of the listing document, together with a summary of the principal contents of such contracts and particulars of any consideration passing to or from any member of the group.
(Note 2)

42. Details of a reasonable period of time (being not less than 14 days) during which and a place in Hong Kong at which the following documents (or copies thereof) where applicable may be inspected:—

- (1) the memorandum and articles of association or equivalent documents of the issuer;
- (2) each of the following contracts:—
 - (a) any service contracts disclosed pursuant to paragraph 39;
 - (b) any material contracts disclosed pursuant to paragraph 41; and
 - (c) in the case of a connected transaction circular, any contracts referred to in the circular, or where any of the above contracts have not been reduced into writing, a memorandum giving full particulars thereof;
- (3) all reports, letters or other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in the listing document;
- (4) a written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons therefor;
- (5) the audited accounts of the issuer or, in the case of a group the consolidated audited accounts of the issuer and its subsidiaries for each of the 2 financial years immediately preceding the issue of the listing document together with (in the case of a Hong Kong issuer) all notes, certificates or information required by the Companies Ordinance; and
- (6) a copy of each circular issued pursuant to the requirements set out in Chapters 19 and/or 20 which has been issued since the date of the latest published audited accounts.

(Note 2)

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)*

Additional information on PRC issuers

(Paragraphs 44 and 47 apply to PRC issuers only)

44. Where a public or private issue or placing of securities of the PRC issuer other than H shares is being made simultaneously with the issue of H shares in Hong Kong or is proposed to be made prior to the end of 3 months after the issue of the listing document in Hong Kong:—
- (1) information concerning such securities and such issue or placing, including the information described in paragraphs 6, 10, 11, 12, 14 and 17;
 - (2) a statement of whether or not the issue in Hong Kong is conditional (in whole or in part) on such issue or placing of securities, and if not conditional, a description of the effect on the PRC issuer's future plans, prospects and financial condition (including profit forecast, if any) as a result of such issue or placing of securities not being completed in the manner described in the listing document;
 - (3) if such securities are not admitted for listing on any stock exchange, a statement of whether there is (or is proposed to be) trading or dealing in such securities on any other authorised trading facility) in the PRC;
 - (4) a breakdown of the PRC issuer's shares issued or proposed to be issued; and
 - (5) information concerning each legal person or individual expected to hold domestic shares or foreign shares other than H shares constituting 10 per cent or more of the issued share capital of the PRC issuer upon the completion of such issue or placing of domestic shares or foreign shares other than H shares, and the number of domestic shares or foreign shares other than H shares to be held by each such legal person or individual.
45. [Repealed 3 June 2010]
46. [Repealed 3 June 2010]
47. In an appropriately prominent place and manner in the listing document, the statements by the acquirer of shares required to be in a PRC issuer's listing document pursuant to rule 25.39.
48. [Repealed 3 June 2010]
49. [Repealed 3 June 2010]
50. [Repealed 3 June 2010]

NOTES

- 1 *In cases where the directors of the issuer are responsible for part of the listing document, the directors of another company being responsible for the remainder, the statement should be appropriately adapted. In exceptional cases the Exchange may require other persons to give, or join in, the statement of responsibility in which case the listing document should also be modified appropriately.*
- 2 *Under paragraphs 8, 24, 25, 26, 28, 29(1)(b), 30, 33, 38(3), 39, 40, 41, and 42, reference to the group is to be construed as including any company which will become a subsidiary of the issuer by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.*

- 3 *Where the listing document refers to an amount proposed to be raised in excess of the minimum amount indicated under paragraph 10(2), the listing document must explain the impact of the issuer and its business of raising such excess amount. In this regard, a statement that the excess will represent working capital should not be adequate unless a reasonably detailed explanation is given as to how such working capital is to be applied.*
- 4 *Any right to revise or extend the offer period or period during which the subscription list is open, as stipulated in the listing document must:—*
- (i) *be limited to possible delays caused by a tropical cyclone warning signal or such similar extraneous factors affecting whether the stated closing date is a banking day or not, as are acceptable to the Exchange; and*
- (ii) *be set out in the details included in the listing document; and*
- subject to any such qualifications acceptable to the Exchange, the closing date of the offer period and the period during which the subscription list is open, as stated in the listing document, may not be revised or extended and may not be subject to any unilateral right on the part of the issuer, the underwriter or any other person to revise or extend such date or period.*
- 5 *[Repealed 1 April 2015]*
- 6 *Particulars should be given of the extent of any duplication which occurs.*
- 7 *Issuers who are in any doubt as to the appropriate category in which an interest or short position should be shown are encouraged to consult the Exchange for further guidance.*
- 8 *References to directors or proposed directors in paragraphs 8, 26(1), 31(2), 34, 38, 39, 40 and 43 shall also mean and include supervisors and proposed supervisors, as appropriate. For purposes of applying paragraph 38 to each supervisor of a PRC issuer, paragraph 38 should be interpreted as if Part XV of the Securities and Futures Ordinance applied to such persons to the same extent as directors.*
- 9 *For the purposes of paragraph 34 “other listed public companies” means other public companies the securities of which are listed on any securities market in Hong Kong (including but not limited to the Main Board and GEM) or overseas.*
- 10 *For the purpose of paragraph 31(3), the information may be incorporated in the listing document or circular of the listed issuer by reference to its other documents published under Chapter 16.*

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part C

Debt Securities

In the case where listing is sought for debt securities

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

1. The full name of the issuer.
2. A statement as follows:—

“This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.” *(Note 1)*
3. The names and addresses of the issuer’s Sponsor (in the case of an issuer that is required to have, or otherwise retains a Sponsor), financial adviser, authorised representatives, solicitors and, if any, receiving bankers, registrars, trustee, fiscal agent, paying agents and the solicitors to the issue.
4. The name, address and professional qualifications of the auditors.
5. The date and country of incorporation or other establishment of the issuer and the authority under which the issuer was incorporated or otherwise established and, if not incorporated or established with perpetual existence, a statement to that effect.
6. Details of the legislation under which the issuer is incorporated or otherwise established and whether its liabilities are limited and, if so, in what manner or any other legal form which it has adopted under that legislation.
7. In the case of an issuer not incorporated or otherwise established in Hong Kong, the address of the head office and of the principal place of business (if any) in Hong Kong and of the place of business, if any, in Hong Kong registered under Part 16 of the Companies Ordinance, and the name(s) and address(es) of the person(s) in Hong Kong authorised to accept service of process and notices on its behalf.
8. Where the listing document includes a statement purporting to be made by an expert, a statement:—
 - (1) specifying the name, address and professional qualifications of such expert and the date on which the expert’s statement was made;

- (2) that the expert has given and has not withdrawn his written consent to the issue of the listing document with the expert's statement included in the form and context in which it is included;
 - (3) whether or not the statement was made by the expert for incorporation in the listing document; and
 - (4) specifying whether such expert has any shareholding in any member of the group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the group and, if so, a full description thereof.
9. Particulars of any other stock exchange on which any part of the equity securities of the issuer is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought and the name of the stock exchange on which the issuer's primary listing is or is to be, or an appropriate negative statement.

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

- 10. (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) If the securities are or will be admitted to CCASS, 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 arrangements and how such arrangements will affect their rights and interests.
- 11. The amount or estimated amount of the expenses of the issue and of the application for listing and by whom the same are payable.
- 12. If known, the date on which permission to deal in the debt securities on the Exchange is expected to become effective.

Information concerning the debt securities

- 13. An estimate of the net proceeds of the issue and a detailed explanation as to how such proceeds are intended to be applied. (Note 2)
- 14. A description of or the text of the terms and conditions of the issue containing:—
 - (1) the nominal amount of the issue or if this amount is not fixed, a statement to that effect, the nature and number of the debt securities and the denomination(s);
 - (2) a summary of the rights conferred upon the holders and particulars of the security;
 - (3) except in the case of continuous issues, the issue (or if different, offer) and redemption prices and the nominal interest rate and if floating, how it is calculated; if several interest rates are provided for, an indication of the conditions for changes in the rate. If any issue discount is allowed or premium is payable, a statement describing this. If any expenses of the issue are specifically charged to subscribers or purchasers, a statement describing this;
 - (4) details of the method of payment of the issue (or if different, offer) price including a description of any instalment arrangement;

- (5) a statement regarding tax on the income from debt securities withheld at source and an indication as to whether the issuer assumes responsibility for the withholding of tax at source and any redemption option in the event of a withholding tax being introduced on or in respect of payments under the debt securities;
 - (6) details of the arrangements for the amortisation or early redemption of the issue, including procedures to be adopted;
 - (7) the names and addresses of the paying agent(s) and any registrar and transfer agent(s) for the debt securities in Hong Kong;
 - (8) details of the arrangements for transfer of the securities (if not in bearer form);
 - (9) the currency of the issue. If the issue is payable in any currency other than the currency of issue, this fact should also be disclosed;
 - (10) details of the following time limits:—
 - (a) final repayment date and any early repayment dates, specifying whether exercisable at the issuer's or the holder's option;
 - (b) the date from which interest accrues and the interest payment dates;
 - (c) prescription period for claims for payment of interest and repayment of principal; and
 - (d) procedures and time limits for delivery of the debt securities, whether there will be temporary documents of title and, if so, the procedures for the delivery and exchange thereof; and
 - (11) except in the case of continuous issues, an indication of yield. The method whereby that yield is calculated should also be described in summary form.
15. The following legal information:—
- (1) an indication of the resolutions, authorisations and approvals by virtue of which the debt securities have been or will be created and/or issued and the number of debt securities which have been or will be created and/or issued, if predetermined;
 - (2) the nature and scope of the guarantees, sureties and commitments intended to ensure that the issue will be duly serviced with regard to both the principal of and the interest on the debt securities and an indication of the places where the public may have access to copies of such guarantees, sureties and commitments;
 - (3) details of the trustee, fiscal agent or of any other representative for the debt securities holders as a whole. The name and function or description and head office of such representative of the debt securities holders and, in particular, the conditions under which the representative may be replaced. An indication of where the public may inspect copies of the documents detailing how the representative is to act;
 - (4) a description of any subordination of the issue to other debts of the issuer already incurred or to be incurred;
 - (5) an indication of any legislation under which the debt securities have been created, the governing law and of the competent courts in the event of litigation;

- (6) an indication as to whether the debt securities are in registered or bearer form; and
 - (7) details of any restrictions on the free transferability of the debt securities (e.g. provisions requiring transfers to be approved).
16. The following information concerning the application for listing of the debt securities:—
- (1) particulars of any other stock exchange on which listing of or permission to deal in the debt securities is being or is proposed to be sought and particulars of any stock exchange on which debt securities of the same class are already listed;
 - (2) if debt securities of the same class have not yet been listed but are traded on several other regulated, regularly operating, open stock markets, an indication of such markets;
 - (3) the names of the legal entities underwriting the issue. If not all of the issue is underwritten, a statement of the portion not underwritten;
 - (4) if public or private issues or placings are being made simultaneously on markets within and outside Hong Kong and if a tranche has been or is being reserved for certain of those markets, an indication of any such tranche;
 - (5) a description of any stabilisation activities to be carried out in respect of the debt securities; and
 - (6) an indication of whether or not the debt securities have been sold or are available in whole or in part to the public in conjunction with the application and a description of other selling restrictions.
17. The following additional information concerning the issue:—
- (1) the method of payment of the issue or offer price;
 - (2) except in the case of continuous issues, the period of the opening of the issue or offer and any possibilities of early closure; (Note 3)
 - (3) an indication of the financial organisations responsible for receiving the public's subscriptions; and
 - (4) a reference, if necessary, to the fact that subscriptions may be reduced.
18. A reference to the registration of the listing document and any supporting documents with the Registrar of Companies and an indication as to any exemptions granted from the prospectus requirements contained in the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Additional information concerning convertible debt securities

- 19. Information concerning the nature of the equity securities or other property offered by way of conversion, exchange, subscription or purchase and the rights attached thereto including, in particular, the voting rights, entitlement to share in profits and, in the event of liquidation, any surplus and any other special rights.
- 20. Full details of any property the subject of such conversion, exchange, subscription or purchase rights.
- 21. The terms and conditions for conversion, exchange, subscription or purchase and details of the circumstances for or in which they may be amended, including the following information:—

- (1) the total number of equity securities or other property subject to such rights;
 - (2) the period during which such rights may be exercised and the date when this right commences;
 - (3) the amount payable on the exercise of such rights;
 - (4) the arrangements for transfer or transmission of such rights;
 - (5) the rights of the holders on the liquidation of the company the equity securities of which are subject to such rights; and
 - (6) the arrangements for the variation in the subscription or exercise price or number of equity securities or other property to take account of alterations to the share capital of the company the equity securities of which are subject to such rights.
22. Where the issuer of the convertible debt securities is different from the issuer of the relevant equity securities, such items of information, with respect to the issuer of the equity securities, from paragraphs 1 to 12 and 35 to 54, as the Exchange shall require having regard to the circumstances of the issue and/or a statement indicating from where any information concerning the issuer of the equity securities contained in the listing document has been extracted and as to the date of the source of such extraction.
23. Where the issuer has authorised but unissued capital or is committed to increase its capital, an indication of:—
 - (1) the amount of such authorised capital or capital increase and, where appropriate, the duration of the authorisation;
 - (2) the categories of persons having preferential subscription rights for such additional portions of capital; and
 - (3) the terms and arrangements for the share issue corresponding to such portions.
24. If the issuer has shares not representing capital, the number and main characteristics of such shares.
25. An indication of the persons, so far as known to the issuer, who, directly or indirectly, jointly or severally, exercise or could exercise control over the issuer and particulars of the proportion of the voting capital held. Joint control means control exercised by 2 or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of the issuer.
26. Details of the profit or loss per share of the issuer, arising out of the issuer's ordinary activities, after tax, for each of the last 2 financial years, where the issuer includes its own annual accounts in the listing document. Where the issuer includes only consolidated annual accounts in the listing document, it must indicate the consolidated profit or loss per share for each of the last 2 financial years. This information must appear in addition to that provided in accordance with the first sentence where the issuer also includes its own annual accounts in the listing document. If, in the course of the period of 2 financial years, the number of shares in the issuer has changed as a result, for example, of an increase in or reduction or reorganisation of capital, the profit or loss per share referred to in the first and second sentences must be adjusted to make them comparable; in that event the adjustment formulae used must be disclosed.
27. The amount of the dividend per share for each of the last 2 financial years, adjusted, if necessary, to make it comparable in accordance with the fourth sentence of paragraph 26.

28. Details of the fixed date(s), if any, on which entitlement to dividend arises.
29. Particulars of any arrangement under which future dividends are waived or agreed to be waived.
30. Name, registered office and proportion of capital held in respect of each undertaking in which the issuer holds at least 10 per cent of the capital. These details may be omitted when they are of negligible importance for the purpose of enabling investors and their investment advisers to make an informed assessment of the activities, assets and liabilities, financial position and management of the group at the time the listing document is issued and its profits and losses and of the rights attaching to the securities for which application is made.
31. Summary of the provisions of the issuer's memorandum and articles of association or equivalent documents regarding changes in capital and variation of class rights whether or not such provisions are more stringent than required by law.

Additional information concerning options, warrants or similar rights

32. Where the options, warrants or similar rights entitle the holder to subscribe or purchase another debt security all of the information required by paragraphs 13 to 18 in respect of that debt security.
33. Where the options, warrants or similar rights entitle the holder to subscribe or purchase equity securities or other property, all of the information required by paragraphs 9, 19 to 31 in respect of those equity securities or that other property.

Information about the issuer's capital

34. Particulars of any alterations in the capital of the issuer or of any of its material subsidiaries, in the case of a new applicant within 2 years immediately preceding the issue of the listing document, and, in every other case, since the date to which the latest published audited accounts of the issuer were made up, including:—

- (1) where any such capital has been issued or is proposed to be issued fully or partly paid up otherwise than in cash, particulars of the consideration for which the same has been or is proposed to be issued and in the latter case, the extent to which they are so paid up; and
- (2) where any such capital has been issued or is proposed to be issued for cash, particulars of the price and terms upon which the same has been or is proposed to be issued, details of any discounts or other special terms granted and (if not already fully paid) the dates when any instalments are payable with the amount of all calls or instalments in arrear,

or an appropriate negative statement. *(Notes 4 and 5)*

35. Particulars of any capital of any member of the issuer or of any of its material subsidiaries which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement. *(Notes 4 and 5)*

Provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to participants under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

36. Number, book value and nominal value or, in the absence of a nominal value, the accounting par value of any of its own shares which any member of the group (being a company) has acquired and is holding, if such shares do not appear as a separate item in the balance sheet. *(Note 5)*

General information about the group's activities

37. (1) The general nature of the business of the group and, in cases where 2 or more activities are carried on which are material in terms of profits or losses, assets employed or any other factor, such figures and explanation as are necessary to demonstrate the relative importance of each such activity and details of the main categories of products sold and/or services performed and an indication of any significant new products and/or activities. If the group trades outside the country of incorporation or other establishment of the issuer a statement showing a geographical analysis of its trading operations. Where a material proportion of the group's assets is situated outside the country of incorporation or other establishment of the issuer, a statement giving the best practicable indication of the amount and situation of such assets and the amount of the assets situated in Hong Kong.
- (2) If the issuer is a member of a group, a brief description of that group covering the issuer's position within that group and, if a subsidiary, the names of and the number of shares held (directly or indirectly) by each holding company of the issuer.
- (3) Particulars of any contracts for the hire or hire purchase of plant to or by any member of the group for a period of over 1 year which are substantial in relation to the group's business.
- (4) Particulars of any trade marks, patents or other intellectual or industrial property rights which are material in relation to the group's business and where such factors are of fundamental importance to the group's business or profitability a statement regarding the extent to which the group is dependent on such factors.
- (5) Information concerning the policy of the group on the research and development of new products and processes over the past 5 financial years where significant.
- (6) Particulars of any interruptions in the business of the group which may have or have had a significant effect on the financial position in the last 12 months.
- (7) The number of people employed by the group and changes therein in the last financial year, if such changes are material in the context of the group, with, if possible, a breakdown of persons employed by main categories of activity.
- (8) Particulars, including location, and of the principal investments (if any), including such investments as new plant, factories and research and development, being made or planned by the group.

(Note 5)

38. (1) In regard to every material subsidiary, particulars of the name, date and country of incorporation or other establishment, whether public or private, general nature of business, issued capital and the proportion thereof held or intended to be held by the issuer.
- (2) In regard to the issuer and every material subsidiary, particulars of the location of the principal establishments.

(Notes 4 and 5)

Financial information about the group and prospects of the group

39. A consolidated capitalisation statement and indebtedness statement for the issuer made up to a recent date acceptable to the Exchange (normally not earlier than 3 months prior to the issue of the listing document) giving information on short, medium and long-term debt (distinguishing between

actual and contingent liabilities and including details of any debt securities issued and, if appropriate, the terms and conditions of any conversion, exchange or subscription rights) and shareholders' equity (including an indication of authorised and issued share capital by class, if appropriate, and the amount paid-up) duly adjusted to reflect the issue of the debt securities for which listing is sought accompanied by particulars of any material changes since that date, or an appropriate negative statement.

40. A statement showing the revenue during the 2 financial years immediately preceding the issue of the listing document which should contain an explanation of the method used for computation of such revenue and a reasonable breakdown between the more important trading activities. In the case of a group, intra-group sales should be excluded.
41.
 - (1) General information on the trend of the business of the group since the date to which the latest audited accounts of the issuer were made up. (Note 5)
 - (2) A statement as to the financial and trading prospects of the group for at least the current financial year, together with any material information which may be relevant thereto, including all special trade factors or risks (if any) which are not mentioned elsewhere in the listing document and which are unlikely to be known or anticipated by the general public, and which could materially affect the profits. (Note 5)
 - (3) The issuer must determine in advance with its financial adviser whether to include a profit forecast in a listing document. Where a profit forecast appears in any listing document, it must be clear, unambiguous and presented in an explicit manner and the principal assumptions, including commercial assumptions, upon which it is based, must be stated. The accounting policies and calculations for the forecast must be examined and reported on by the reporting accountants and their report must be set out. The financial adviser must report in addition that they have satisfied themselves that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out.

 A "profit forecast" for this purpose means any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses, either expressly or by reference to previous profits or losses or any other benchmark or point of reference. It also includes any profit estimate, being any estimate of profits or losses for a financial period which has expired but for which the results have not yet been audited or published. Any valuation of assets (except property interests (as defined in rule 8.01(3)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows will also be regarded as a profit forecast.
 - (4) Particulars of the profits cover for interest payments and of the net tangible assets.
 - (5) Details (if applicable) of the information set out in rules 17.15 to 17.21 concerning the financial exposure of the issuer to borrowers and other relevant information.
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 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.
 - (2) A statement by the directors of whether or not the accountants' report is qualified by the reporting accountants and if so, such qualification must be reproduced in full and the reasons for such qualification given.

43. A statement of any material adverse change in the financial or trading position of the group since the end of the period reported on in the accountants' report, or an appropriate negative statement. *(Note 5)*
44. [Repealed 1 January 2012]
45. Particulars of any litigation or claims of material importance pending or threatened against any member of the group, or an appropriate negative statement. *(Note 5)*

Information about the issuer's management

46. The full name, residential or business address and description (being his qualifications or area of expertise or responsibility) of every director or proposed director (or any such person who performs an important administrative, management or supervisory function) and particulars of the principal functions performed by each of them within the group if significant to the group. In addition, brief biographical details in respect of every director or proposed director (or any person who performs an important administrative, management or supervisory function) must be provided. Such details must not be less than those required to be disclosed in an announcement relating to the appointment or re-designation of the director pursuant to rule 17.50(2).
47.
 - (1) The full name and professional qualifications, if any of:—
 - (a) the secretary of the issuer; and
 - (b) the compliance officer of the issuer (if any).
 - (2) The names of the individuals appointed to the issuer's audit committee, their background and directorships (and past directorships), if any, of other companies listed on GEM, the Main Board or other exchanges, and a description of the functions of the audit committee.
48. The situation of the registered office and, if different, the head office, principal office and transfer office (if applicable).
49.
 - (1) A statement showing the interests and short positions of each director and chief executive of the issuer in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which:—
 - (a) will have to be notified to the issuer and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which he is taken or deemed to have under such provisions of the Securities and Futures Ordinance) once the issuer's securities are listed; or
 - (b) will be required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein, once the issuer's securities are listed, or an appropriate negative statement; and
 - (2) The information required to be included by virtue of paragraph 49(1) of Appendix 1C must specify the company in which interests or short positions are held, the class to which those 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.

- (3) A statement showing the name, so far as is known to any director or chief executive of the issuer, of each person, other than a director or chief executive of the issuer, who has an interest or short position in the shares or underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who is expected, directly or indirectly, to be interested in 10 per cent. or more of the issued voting shares of any other member of the group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such securities, or, if there are no such interests or short positions, an appropriate negative statement. *(Note 5)*

(Note 6)

- (4) 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.

49A. 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.*

(Note 7)

49B. 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.*

(Note 7)

- 49C. 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 paragraph 49B, except that note (3) to paragraph 49B(1) does not apply.

(Note 7)

50. Full particulars of any contract or arrangement subsisting at the date of the listing document in which a director of the issuer is materially interested and which is significant in relation to the business of the group, or an appropriate negative statement. *(Note 5)*

Contracts pertaining to the issue and documents for inspection

51. The dates of and parties to all documents pertaining to the issue entered into by any member of the group within the 2 years immediately preceding the issue of the listing document, together with a summary of the principal contents of such contracts. *(Note 5)*
52. Details of where annual and any interim reports are available and how often interim reports are published.
53. Details of a reasonable period of time (being not less than 14 days) during which and a place in Hong Kong at which the following documents (or copies thereof) where applicable may be inspected:—
- (1) the memorandum and articles of association or equivalent documents of the issuer;
 - (2) any trust deed, fiscal agency agreement or other document constituting the debt securities;
 - (3) all reports, letters or other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in the listing document;
 - (4) a written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons therefor; and
 - (5) the audited accounts and interim statements of the issuer, or in the case of a group, the consolidated audited accounts of the issuer and its subsidiaries for each of the 2 financial years immediately preceding the issue of the listing document together with (in the case of a Hong Kong issuer) all notes, certificates or information required by the Companies Ordinance.

(Notes 5 and 8)

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).

Information on property interests

55. Where required by Chapter 8, information set out in that Chapter.

NOTES

- 1 *In cases where the directors of the issuer are responsible for part of the listing document, the directors of another company being responsible for the remainder, the statement should be appropriately adapted. In exceptional cases the Exchange may require other persons to give, or join in, the statement of responsibility in which case the listing document should also be modified appropriately.*
- 2 *Where the listing document refers to an amount proposed to be raised in excess of the minimum amount estimated pursuant to paragraph 13, the listing document must explain the impact to the issuer and its business of raising such excess amount.*

- 3 *Any right to revise or extend the offer period or period during which the subscription list is open, as stipulated in the listing document must:—*
- (a) *be limited to possible delays caused by a tropical cyclone warning signal or such similar extraneous factors affecting whether the stated closing date is a banking day or not, as are acceptable to the Exchange; and*
- (b) *be set out in the details included in the listing document; and*
- subject to any such qualifications acceptable to the Exchange, the closing date of the offer period and the period during which the subscription list is open, as stated in the listing document, may not be revised or extended and may not be subject to any unilateral right on the part of the issuer, the underwriter or any other person to revise or extend such date or period.*
- 4 *“A material subsidiary” is a company whose profits or assets make or will make a material contribution to the figures in the accountants’ report required by paragraph 42(1) (if relevant) or the next published accounts.*
- 5 *Under paragraphs 34, 35, 36, 37, 38, 41(1) and (2), 43, 45, 49(3), 50, 51 and 53 above, reference to the group or material subsidiaries, as the case may be, is to be construed as including any company which will become a subsidiary or material subsidiary, as appropriate, by reason of an acquisition which has been agreed or proposed since the date to which the latest audited accounts of the issuer have been made up.*
- 6 *Particulars should be given of the extent of any duplication which occurs.*
- 7 *Issuers who are in any doubt as to the appropriate category in which an interest or short position should be shown are encouraged to consult the Exchange for further guidance.*
- 8 *For the purpose of paragraph 53(5) the interim statements need not be consolidated if the issuer has in the past always presented accounts on another basis.*

Appendix 2

DOCUMENTS OF TITLE

Part A

Temporary Documents of Title

Equity securities

1.
 - (1) The document of title, if renounceable, must show as a heading, the date the offer expires, that the document is of value and negotiable and that in all cases of doubt, or if prior to receipt the addressee has sold (other than ex rights or ex capitalisation) all or part of his registered holding of the existing securities, a stockbroker, bank manager, solicitor or other professional adviser should be consulted immediately.
 - (2) In the case of a rights issue which is underwritten and the underwriter is entitled to terminate that underwriting upon the occurrence of any event after dealings in the rights in nil-paid form have commenced, then the temporary documents of title must contain full disclosure of that fact. Such disclosure must:-
 - (a) appear on the front of the temporary documents of title and in a prominent position in the body of the documents;
 - (b) include a summary of the termination provisions and explain when they will cease to be exerciseable;
 - (c) state that there are consequential risks in dealing in such rights; and
 - (d) be in a form approved by the Exchange.
2. Temporary documents of title must be serially numbered and printed on good quality paper. The name and address of the first holder and names of joint holders (if any) must be stated and, in the case of fixed income securities, a statement as to the amount of the next payment of dividend must be included.
3. The documents of title must state the pro rata entitlement, the last date on which transfers were or will be accepted for registration for participation in the issue, how the securities rank for dividend or interest, whether the securities rank pari passu with any listed securities, the nature of the document of title and its proposed date of issue and how fractions (if any) are to be treated. In the case of a rights issue, the documents of title must state how securities not taken up will be dealt with and the time, being not less than 10 business days, in which the offer may be accepted. In cases where the issuer has a large number of overseas members a longer offer period may be desirable, provided that the Exchange must be consulted if the issuer proposes an offer period of over 15 business days.
4. Where the right of renunciation is given on temporary documents of title:-
 - (1) the instructions for registration, renunciation and splitting and the form of renunciation must be printed in the body of, or attached to, the document;
 - (2) there must be provision for splitting (without fee) and split documents must be certified by an official of the issuer or authorised agent. There must not be more than 5 clear business days between the last day for splitting and the last day for renunciation; and

- (3) when, at the same time as an allotment is made of securities issued for cash, securities of the same class are also allotted, credited as fully-paid, to vendors or others, the period for renunciation may be the same as, but not longer than, that provided for in the case of securities issued for cash.
- 5. Letters of regret should preferably be issued simultaneously with, but in any event not later than three business days after, the issue of letters of allotment or letters of rights. Where it is impossible to issue letters of regret at the same time as the allotment letters or letters of rights, a notice to that effect must be published in accordance with Chapter 16 as soon as possible, but in any event not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the date on which the allotment letters or letters of rights are posted.
- 6. In the absence of contrary instructions from the holders concerned, all letters of allotment and letters of rights to holders of securities with addresses outside Hong Kong must be despatched by airmail.

Debt securities

- 7. The Exchange does not require temporary documents of title to conform to any particular standard. If, however, such a document is to be used, matters such as the exchange for definitive documents of title must be adequately dealt with as well as the payment of any interest pending its exchange for a definitive document of title.

Appendix 2

DOCUMENTS OF TITLE

Part B

Definitive Documents of Title

Equity securities (must be in registered form)

1. The overall size of the certificate should if possible be no larger than 25 centimetres by 22 centimetres (9 3/4 inches by 8 1/2 inches approximately).
2. The paper for securities must be security paper containing a watermark in a form approved by the Federation of Share Registrars. The watermark should be repeated at staggered intervals of not more than 20 centimetres (8 inches approximately).
3. The following matters must appear on the face of the certificate:—
 - (1) the authority under which the issuer is constituted;
 - (2) preferably at the top right-hand corner, the number of securities or amount of stock the certificate represents and if applicable the number and denomination of units;
 - (3) a footnote stating that no transfer of the securities represented by the certificate can be registered without production of the certificate; and
 - (4) if applicable, the minimum amount and multiples thereof in which the security is transferable.
4. Certificates must be dated and (in the absence of statutory authority for issue under signature of appropriate officials) be issued under seal.
5. If the certificate relates to shares and there is more than one class in issue:—
 - (1) the certificates of the preferential classes must also bear (preferably on the face) a statement of the conditions conferred thereon as to capital and dividends;
 - (2) if any such class (other than preference or preferred shares so described) is a class the holders of which are not entitled to vote at general meetings of the issuer, the words “non voting” must appear legibly on every certificate therefor issued by the issuer; and
 - (3) every share certificate issued by the issuer shall contain in a prominent position a statement that its share capital is divided into different classes of shares which shall specify in respect of the shares of each class the nominal value (if any) thereof and the voting rights attached thereto.
6. Certificates relating to shares may contain on the back a form of instrument of transfer relating to all (but not some only) of the shares comprised in the certificate in a form approved by the Exchange.
7. If the securities to which the certificates relate are not identical in all respects, but will become so in the future, such certificates issued before the date when they will become so must be enfaced with a note of such date.

Debt securities in registered form

8. The overall size of the certificate should if possible be no larger than 25 centimetres by 22 centimetres (9 3/4 inches by 8 1/2 inches approximately).
9. The paper for securities must contain a watermark in a form approved by the Federation of Share Registrars. The watermark should be repeated at staggered intervals of not more than 20 centimetres (8 inches approximately).
10. The following matters must appear on the face of the certificate:—
 - (1) the authority under which the issuer is constituted;
 - (2) preferably at the top right-hand corner, the number of securities or amount of stock the certificate represents and, if applicable, the number and denomination of units;
 - (3) a footnote stating that no transfer of the security or any portion thereof represented by the certificate can be registered without production of the certificate;
 - (4) if applicable, the minimum amount and multiples thereof in which the security is transferable; and
 - (5) the interest payable and the dates when it is payable.
11. Certificates must be dated and (in the absence of statutory or other authority for issue under signature of appropriate officials) be issued under seal.
12. The certificates must also state:—
 - (1) the country of incorporation (where appropriate) and registered number (if any) of the issuer;
 - (2) the authority under which the security is issued; and
 - (3) on the back (preferably with reference shown on the face) all the conditions of issue as to redemption or repayment and, if applicable, conversion but need state only such of the conditions as to transfer as differ in any material respect from those normally attached to such a debt security.

Bearer Securities

13. Except for debt issues to professional investors only, proofs of securities and any coupons must be submitted to the Exchange for approval as early as possible, preferably in "sketch" form. Proofs must be submitted to the Exchange at least 10 business days prior to the date on which the relevant listing document is to be bulk printed.
14. The printing of bearer securities must be entrusted to recognised security printers who must be approved in advance by the Exchange; it is preferable that the same printer should be employed on behalf of a particular issuer or borrowing organisation for all its bearer securities.
15. The paper for securities and any coupons must be first class bond or banknote paper. It must be a fourdrinier made paper of 100g/m² in weight, containing a minimum rag content of 50 per cent and have a multitone watermark of the printer, borrower or issuer. Accurate records must be kept regarding manufacture and consumption of security paper. The watermark should be repeated at staggered intervals such that it appears, at least in part, on each coupon.

16. The overall size of the security (excluding any sheets of coupons) should be 29.7 centimetres by 21 centimetres (11-3/4 inches by 8-1/4 inches approximately).
17. The serial number of the security must appear in the top right-hand corner of each security, on any talon and on each coupon (if any). Such number must be printed in indestructible black ink which fluoresces when exposed to ultra violet light and be produced in OCR-B1 (optical character recognition-type B1) typeface.
18. Any coupon sheets must be attached to the right-hand side of the security and each coupon must bear the serial number of the security and be numbered consecutively. Coupon sheets may be attached to the foot of the security in the event that the right-hand side of the security is not available. If a talon or renewal coupon is used it must be so placed as to be the last coupon to be removed. The margin between the coupons must be sufficiently wide to ensure that the text of any coupon is not damaged when coupons are detached.
19. Securities must have at least one printing by direct engraved steel plate which must include the border. The plates must be produced by the high security printer by mechanical or electrolytic means from original steel engravings and must remain in the responsible custody of the high security printer. The impression must be perfect, giving uniform sharpness, no interruptions or broken lines and no choking or widening at points or intersections. The background must contain guilloches which, if produced by indirect letterpress, must be in more than one colour.
20. The design of the intaglio border of the securities and coupons must either be unique to the issuer or must, as an alternative, incorporate the following additional security features:—
 - (a) lines composed of extra small print which appear as continuous lines when photocopied; and
 - (b) a latent image (not required on the coupons).
21. The name of the security printer must appear on the face of the bearer security and the coupons as part of the intaglio border.
22. The following matters must appear on the face of the security:—
 - (1) the authority under which the issuer is constituted and the country of incorporation (where applicable) and registered number (if any);
 - (2) the date of issue of the security;
 - (3) the authority under which the security is issued;
 - (4) the dates when fixed interest or other payment are due; and
 - (5) an authorising signature or signatures of the issuer, which may be in facsimile (and may also bear an authenticating signature which, if present, must be an original).
23. A summary of the principal terms and conditions of issue as to redemption, conversion, meetings and voting rights must appear on the reverse of the security.
24. The high security printer must, if requested by the Exchange, give a declaration (which may, with the approval of the Exchange, be given on an annual basis) that:—
 - (1) the security is being produced in accordance with the requirements of the Exchange;
 - (2) records will be kept of the production and consumption of the security paper;

- (3) the steel engraved plates have been produced by the security printers on their premises and since production they have remained and will remain under their control and if the design of the intaglio border is unique to the issuer, it will not be used on the securities of any other issuer; and
 - (4) where the design of the intaglio border is unique to the issuer at the request of the issuer all plates used in the preparation of the securities will be destroyed and satisfactory proof of destruction will be produced to the issuer.
25. Notwithstanding the provisions of paragraph 19 of this Appendix, the Exchange may agree to waive the requirement to use engraved steel plates for the printing of securities where:—
- (1) the securities are not to be marketed to the public; and
 - (2) an alternative form of process, acceptable to the Exchange, is used for the printing of the securities.

Such agreement should be obtained from the Exchange in advance.

Appendix 3

ARTICLES OF ASSOCIATION

The articles of association or equivalent document must conform with the following provisions and, where necessary, a certified copy of a resolution of the board of directors or other governing body undertaking to comply with the appropriate provisions must be lodged with the Exchange.

As regards Transfer and Registration

1. (1) That transfers and other documents relating to or affecting the title to any registered securities shall be registered and where any fee or fees is/are charged, such fee or fees shall not exceed the maximum fees prescribed by the Exchange from time to time in the GEM Listing Rules.
(Note 1)
- (2) That fully-paid shares shall be free from any restriction on the right of transfer (except when permitted by the Exchange) and shall also be free from all lien.
(Note 1)
- (3) That where power is taken to limit the number of shareholders in a joint account, such limit shall not prevent the registration of a maximum of 4 persons.
- (4) That the standard form of transfer as prescribed by the Exchange is appropriate and not inconsistent with the articles of association.

As regards Definitive Certificates

2. (1) That all certificates for capital must be under seal, which may only be affixed with the authority of the directors, or be executed under signature of appropriate officials with statutory authority.
- (2) Where power is taken to issue share warrants to bearer, that no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed.

As regards Dividends

3. (1) That any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.
- (2) Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until 6 years or more after the date of declaration of the dividend.
(Note 2)

As regards Directors

4. (1) That, subject to such exceptions specified in the articles of association as the Exchange may approve, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting.
(Note 5)
- (2) That any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of the issuer, and shall then be eligible for re-election.

- (3) That, where not otherwise provided by law, the issuer in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his term of office.
- (4) That the minimum length of the period, during which notice to the issuer of the intention to propose a person for election as a director and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least 7 days.
- (5) That the period for lodgment of the notices referred to in sub-paragraph 4(4) will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.

As regards Accounts

- 5. That a copy of either (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account or (ii) the summary financial report, shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member.
(Note 3)

As regards Rights

- 6. (1) That adequate voting rights will, in appropriate circumstances, be secured to preference shareholders.
- (2) That the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class.
(Note 4)

As regards Notices

- 7. (1) That where power is taken to give notice by advertisement such advertisement may be published in the newspapers.
- (2) That an overseas issuer shall give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice.
(Note 4)
- (3) That there is no prohibition on the giving of notice to members whose registered address is outside Hong Kong.

As regards Redeemable Shares

- 8. That, where the issuer has the power to purchase for redemption a redeemable share:—
 - (1) purchases not made through the market or by tender shall be limited to a maximum price; and
 - (2) if purchases are by tender, tenders shall be available to all shareholders alike.

As regards Capital Structure

- 9. That the structure of the share capital of the issuer be stated and where such capital consists of more than one class of share it must also be stated how the various classes shall rank for any distribution by way of dividend or otherwise.

As regards Non-Voting or Restricted Voting Shares

10. (1) That, where the capital of the issuer includes shares which do not carry voting rights, the words “non-voting” must appear in the designation of such shares.
- (2) That, where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

As regards Proxies

11. (1) That where provision is made in the articles as to the form of proxy, this must be so worded as not to preclude the use of the two-way form.
- (2) That a corporation may execute a form of proxy under the hand of a duly authorised officer.

(Note 4)

As regards Disclosure of Interests

12. No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the company.

As regards Untraceable Members

13. (1) That where power is taken to cease sending dividend warrants by post, if such warrants have been left uncashed, it will not be exercised until such warrants have been so left uncashed on 2 consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.
- (2) That where power is taken to sell the shares of a member who is untraceable it will not be exercised unless:—
 - (a) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
 - (b) on expiry of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Exchange of such intention.

As regards Voting

14. That, where any shareholder is, under these GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

NOTES

1. *In the case of an issuer incorporated in the PRC, references to “shares” in paragraphs 1(1) and 1(2) shall mean and refer to H shares only, and shall not include the domestic shares of a PRC issuer.*

2. *In the case of an issuer incorporated in the PRC, paragraph 3(2) shall be amended and restated to read as follows:*

“Where power is taken to forfeit unclaimed dividends, that power shall not be exercised until after the expiration of the applicable limitations period.”

3. *In the case of an issuer incorporated in the PRC, the reference to “every member” in paragraph 5 shall mean and refer to only registered holders of the PRC issuer’s H shares.*
4. *Paragraphs 6(2), 7(2), 11(1) and 11(2), which are covered by the additional required provisions set out in Section 1 of Part C of Appendix 11, shall not apply to an issuer incorporated in the PRC.*
5. *Articles of Association will be acceptable to the Exchange if they provide exceptions from the requirements of paragraph 4(1) of this Appendix in respect of the following matters:—*

- (1) *the giving of any security or indemnity either:—*

- (a) *to the director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the issuer or any of its subsidiaries; or*
- (b) *to a third party in respect of a debt or obligation of the issuer or any of its subsidiaries for which the director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;*

- (2) *any proposal concerning an offer of shares or debentures or other securities of or by the issuer or any other company which the issuer may promote or be interested in for subscription or purchase where the director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;*

- (3) *any proposal concerning any other company in which the director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the director or his close associate(s) is/are beneficially interested in shares of that company, provided that the director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his close associates is derived) or of the voting rights;*

- (4) *any proposal or arrangement concerning the benefit of employees of the issuer or its subsidiaries including:—*

- (a) *the adoption, modification or operation of any employees’ share scheme or any share incentive or share option scheme under which the director or his close associate(s) may benefit; or*
- (b) *the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors, his close associates and employees of the issuer or any of its subsidiaries and does not provide in respect of any director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and*

- (5) *any contract or arrangement in which the director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the issuer by virtue only of his/their interest in shares or debentures or other securities of the issuer.*

Appendix 4

Trust Deeds or Other Documents Securing or Constituting Debt Securities

The provisions of this appendix do not apply to debt issues to professional investors only. If there is a trustee:—

- (i) one of the trustees or the sole trustee must be a trust corporation which must have no interest in or relationship to the issuer which might conflict with the position of trustee; and
- (ii) in the event of the office of trustee becoming vacant, a new trustee must be approved by an extraordinary resolution of the holders of the relevant class of debt securities unless such holders have a general power to remove any trustee and appoint another trustee in his place.

Trust deeds or other corresponding documents must contain provisions to the following effect:—

As regards Redemption

1. (1) That where power is reserved to purchase a debt security:—
 - (a) purchases not made through the market or by tender shall be limited to a maximum price; and
 - (b) if purchases are by tender, tenders shall be available to all holders of the debt securities alike.
- (2) That where the outstanding amount of a debt security subject to redemption by drawings is not less than HK\$2,000,000 the lots into which the issue is to be divided for the purpose of a drawing may, if required, be of not more than HK\$1,000 but otherwise must be of not more than HK\$100.
- (3) That where a debt security is repayable on a particular date the year of redemption must be indicated by inclusion in the title of the debt security; that where a debt security may be repaid within a fixed period that period must be indicated in the title by the inclusion of the first and last years of the period; and that where a debt security will be irredeemable that debt security must be described as such.

As regards Conversion Rights

2. (1) That during the existence of conversion rights:—
 - (a) unless provision is made for appropriate adjustment of the conversion rights, the issuer must be precluded from effecting any reduction of capital involving repayment of capital or reduction of uncalled liability;
 - (b) the creation of a new class of equity share capital shall be prohibited or restricted within specified limits referred to in the terms of issue;
 - (c) unless provision is made for appropriate adjustment of the conversion, the issuer must be precluded from effecting any capitalisation of profits or reserves save in respect of shares issued in lieu of dividends;
 - (d) the granting of conversion rights into or of options to subscribe for equity capital shall be prohibited or restricted within specified limits;

- (e) if the issuer makes or gives to its shareholders any offer or right in relation to securities of the issuer or any other issuer (other than in relation to shares, issued in lieu of dividend) then the issuer must at the same time make or give to the holders of the convertible debt securities the like offer or right on the appropriate basis having regard to their conversion rights;
- (f) in the event of voluntary liquidation (except for the purpose of reconstruction or amalgamation on terms previously approved by the trustees or by an extraordinary resolution of the holders) the holders of the convertible debt securities must, for a limited period, have rights equivalent to conversion;
- (g) the issuer shall maintain at all time sufficient unissued capital to cover all outstanding conversion rights;
- (h) where provision is made enabling the issuer at its option to repay or convert the debt security if a specified proportion of the debt security has been converted, such right shall apply to the whole of the debt security outstanding and shall only be exercisable if notice of intention of such exercise is given within 1 month after the expiry of those conversion rights which were at the holders' option;
- (i) all necessary allotments of shares consequent upon a conversion must be effected not later than 14 days after the last date for lodging notices of conversion; and
- (j) the following must be prohibited or restricted in the terms of issue (unless sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of the securities):
 - (i) any purchase by the company of its own shares; and
 - (ii) the creation or issue of any new class of equity share capital;
- (2) That holders of the debt security must be given not less than 4 nor more than 6 weeks' notice in writing prior to the end of each conversion period reminding them of the conversion right then arising or current and stating the relative basis of conversion (after taking into account any required adjustments).
- (3) That the designation of any convertible debt security must include the word "convertible" until the expiration of conversion rights, whereupon that word must cease to form part of the designation.

As regards Meetings and Voting Rights

- 3. (1) That not less than 21 days' notice must be given of a meeting for the purpose of passing an extraordinary resolution.
- (2) That a meeting of holders of the debt securities must be called on a requisition in writing signed by holders of at least one-tenth of the nominal amount of the debt securities for the time being outstanding.
- (3) That the quorum for a meeting (other than an adjourned meeting) for the purpose of passing an extraordinary resolution shall be the holders of a clear majority of the outstanding principal amount of the debt securities.
- (4) That the necessary majority for passing an extraordinary resolution shall be not less than three-fourths of the persons voting thereat on a show of hands and if a poll is demanded then not less than three quarters of the votes given on such a poll.

- (5) That on a poll, each holder of debt securities must be entitled to at least one vote in respect of each of those amounts held by him which represents the lowest denomination in which such debt securities can be transferred.
- (6) That a proxy need not be a holder of the debt securities.

As regards Transfer

- 4. That transfers and other documents relating to or affecting the title to any debt securities shall be registered and where any fee or fees is/are charged, such fee or fees shall not exceed the maximum fees prescribed by the Exchange from time to time in the GEM Listing Rules.

As regards Definitive Certificates

- 5. (1) That the fee for a new certificate issued to replace one that has been worn out, lost or destroyed shall not exceed the maximum fee prescribed by the Exchange from time to time in the GEM Listing Rules and that where a holder of securities other than bearer securities has sold part of his holding, he must be entitled to a certificate for the balance without charge.
- (2) That on any partial repayment of the amount due on the debt security, unless a new document is issued, a note of such payment shall be enfaced (not endorsed) on the document.

As regards Security

- 6. (1) Debt securities which constitute an unsecured liability must be designated as "Unsecured".
- (2) That the designation in a trust deed of debt securities must not include the word "Mortgage" unless they are fully secured by a specific mortgage or charge.

As regards Unclaimed Interest

- 7. Where power is taken in the trust deed to forfeit unclaimed interest, that power must not be exercisable until 6 years or more after the due date of payment of the interest to be forfeited.

Register

- 8. The closing of the register must be discretionary.

Amendments

- 9. A circular to holders of debt securities in connection with proposed amendments to a trust deed must:
 - (a) include an explanation of the effect of the proposed amendments;
 - (b) include either the full terms of the proposed amendments, or a statement that they will be available for inspection:
 - (i) from the date of the despatch of the circular until the close of the relevant general meeting at a place in or near Hong Kong or such other place as the Exchange may determine; and
 - (ii) at the place of the general meeting for at least 15 minutes prior to and during the meeting; and
 - (c) comply with other applicable requirements.

Appendix 5

FORMS RELATING TO LISTING

FORM A

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

To: The Listing Division,
The Stock Exchange of Hong Kong Limited

..... / /

Dear Sirs,

1. We, [Limited] (in English) (in Chinese) (the "Issuer"), and [Limited] (in English) (in Chinese) (the "Sponsor") hereby apply for the listing of and for the permission to deal in the securities referred to in paragraph 6(b) below, subject to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").
2. Please indicate the person or persons to whom the Exchange should respond in relation to this application (*Note 1*):
.....
.....
.....
.....
.....
3. Proposed timetable for the listing (please specify dates) (*Note 2*):
 - (a) Exchange hearing:
 - (b) bulk print date:
 - (c) listing document date:
 - (d) application lists close:
 - (e) announcement of results, if applicable:
 - (f) refund cheques despatched if applicable:
 - (g) documents of title despatched:
 - (h) dealings commence:

4. Issuer's place and date of incorporation or other establishment (Note 3):
.

5. A brief summary of the history and nature of business of the Issuer and/or its subsidiaries:
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6. Details of share capital:

(a) Authorised share capital of[currency].[amount] divided into:

<u>Class</u>	<u>Number</u>	<u>Par value per share</u>	<u>Total Nominal value</u>
	(A)	(B) [currency]	(C) = (A) x (B) [currency]

Total
.

(b) The type(s) and number of securities for which application is now made, being the issued (and paid up) share capital, inclusive of proposed issue, of [currency]. [amount] divided into:

<u>Class</u>	<u>Number</u>	<u>Par value per share</u>	<u>Total Nominal value</u>
	(A)	(B) [currency]	(C) = (A) x (B) [currency]
In issue before the offer			
Proposed to be issued pursuant to the offer			
- maximum (if applicable)			
- minimum (if applicable)			

Total

7. Estimated market capitalisation of the maximum and minimum number of securities for which listing is sought (*Note 4*):

8. (a) Estimated size of offer:

Class of securities	Sale shares (if applicable)	Number of securities		Proposed offer price	Estimated size of offer
		New issue (if applicable)	Total Offered		
	(A)	(B)	(C) = (A) + (B)	(D)	(E) = (C) x (D)
				[currency]	[currency]

Total

(b) Particulars of proposed listing method of the securities referred to in paragraph 6(b) above:

Class of securities	Proposed listing method	Sale share (if applicable)	Number of securities		Proposed offer price	Estimated market value
			New issue (if applicable)	Total		
		(A)	(B)	(C) = (A) + (B)	(D)	(E) = (C) x (D)
					[currency]	[currency]

Total

9. Minimum amount of capital to be raised by the Issuer (if applicable) (Note 5):

10. Estimated percentage of securities in the hands of the public (immediately following listing of the securities):

<u>Class of securities</u>	<u>Estimated percentage in the hands of the public</u>
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11. Whether or not it is proposed that the issue be underwritten, and if so, by whom and the amount of securities to be underwritten:

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12. The securities for which application is now made

- (a) are/are not* identical in all respects

.....

.....

(Note 6)

- (b) are/are not* identical in all respects with an existing class of security

.....

.....

(Note 6)

(If the securities are not identical now, but will become so in the future, a statement as to when they will become identical must be added to (a) or (b) above.)

- (c) are not listed or dealt in on another stock exchange/are listed or dealt in on the following stock exchange(s)*

- (d) have been in the previous 6 months, are or will be the subject of an application for listing on the following stock exchange(s)

***Delete as appropriate**

13. [Repealed 1 January 2007]

14. Particulars of the authorised representatives of the issuer (see rule 5.19 of the GEM Listing Rules):

(a) Name: (English) (Chinese)

Telephone Number: (Office) (Home)
. (Mobile)

Fax Number:

E-mail:

(b) Name: (English) Chinese)

Telephone Number: (Office) Home)
. (Mobile)

Fax Number:

E-mail:

15. Details of any additional information considered necessary/appropriate for the Exchange's consideration (complete on a separate sheet if necessary):

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16. Brief summary of any applications for waiver from compliance with any of the GEM Listing Rules (please attach a detailed waiver application).

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17. The following are the qualifications of the undermentioned person(s) whose opinion(s) as (an) expert(s) is/are referred to in any document included in this application:—

<u>Name</u>	<u>Qualifications</u>	<u>Document</u>

18. Definitive certificates (in respect of the class of security/securities for which listing is sought) have already been issued for shares and will be ready on for shares.

19. A cheque numbered (cheque number) drawn on (bank) for \$[.....], the amount specified in Appendix 9, has been enclosed for payment of the non-refundable initial listing fee. If there is any delay in the proposed timetable as set out above, or if there is any change in that timetable or in any of the other particulars without the approval of the Exchange or if the proposed application for listing is withdrawn, cancelled or rejected by the Exchange, the Issuer acknowledges the Exchange's right to forfeit this amount. The Issuer also acknowledges the Exchange's rights under Notes 2(e) and (f) below.

20. **Issuer's Undertaking:**

We,..... [Limited], the Issuer hereby undertake:—

- (a) for so long as any of our securities are listed on GEM, to comply at all times with all of the requirements of the GEM Listing Rules from time to time in force (save for any that are stated not to apply);**
- (b) to advise the Exchange if any change of circumstance arises prior to the hearing date of the application by the Listing Division that would render any information contained in this application form or the draft listing document submitted herewith misleading in any material respect;**
- (c) to lodge with the Exchange, before dealings in the securities commence, the declaration (Appendix 5E) required by rule 12.26(7) of the GEM Listing Rules; and**
- (d) to comply with the requirements of the procedures and format for publication and communication published by the Exchange from time to time.**

Please attach a certified extract from the board minutes of the Issuer authorising the submission of this form and approving the undertaking, declaration and acknowledgements set out herein.

21. [Repealed 1 October 2013]

22. [Repealed 1 October 2013]

22A. **Issuer's authorisation for filing with the Commission**

We are required to file copies of our application with the Securities and Futures Commission ("SFC") under section 5(1) of the Securities and Futures (Stock Market Listing) Rules ("Rules"). Pursuant to section 5(2) of the Rules, we hereby authorise the Exchange to file all such materials with the SFC on our behalf as and when we file them with the Exchange.

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

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

The authorisation aforementioned 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. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe. In addition, we undertake to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require.

23. **Issuer's Acknowledgements:**

We, [Limited], the Issuer, authorise the Exchange to publish, release or present on the GEM website or in any other form or context and to whomsoever the Exchange deems necessary or appropriate for the purposes specified below, any information provided by us or on our behalf, to the Exchange pursuant to any obligation under the GEM Listing Rules to publish the same and without liability on the part of the Exchange. In addition, we acknowledge that the Exchange may impose a fee for access to or use of such public information so published, released or presented, and we waive any right to receive any fee or other remuneration from the Exchange in respect thereof. The purposes for which the Exchange may so publish, release or present such information are as follows:-

- (a) for the promotion of GEM; or
- (b) in connection with the compilation of statistical and other information on companies listed on GEM; or
- (c) investor awareness and education; or
- (d) to preserve the general integrity and reputation of the market.

Yours faithfully,

Signed:
Name:
Director, Secretary or other
duly authorised officer*
for and on behalf of
Name of Issuer:
*Delete as appropriate

Yours faithfully,

Signed:
Name:
Director
For and on behalf of
Name of Sponsor:

NOTES

- (1) *Where more than one Sponsor has been appointed, please refer to rule 6A.10 of the GEM Listing Rules for guidance. The Exchange must be advised as to which of the Sponsors is, in the first instance, principally responsible for communicating on the Issuer's behalf with the Exchange.*
- (2) *All applicants should note that:—*
 - (a) *pursuant to rule 12.12, the Sponsor should contact the Listing Division to ascertain a date on which the Listing Division may consider the applicant's application for listing. The Exchange reserves the right to change the provisional hearing date;*
 - (b) *the applicant is not guaranteed an exclusive timetable. In other words the applicant's timetable may coincide with or overlap the timetable of other applicants;*
 - (c) *if requested, the Exchange will inform the applicant of the estimated size of issue and the date on which it is proposed that the application lists will close in respect of every other applicant whose timetable will coincide with or overlap with the applicant's proposed timetable;*
 - (d) *other applicants the proposed timetables of which coincide with or overlap with the applicant's timetable will be informed upon their request to the Exchange of the estimated size of issue and current date on which it is proposed that the application lists will close in respect of the applicant as disclosed in this form (all other details will be retained in strict confidence);*
 - (e) *in the event that the listing remains outstanding for more than 6 months after the date of the application form, any initial listing fee paid will be forfeited and a new application form together with a further non-refundable initial listing fee in the amount specified in Appendix 9 must be submitted to the Exchange unless the Exchange agrees otherwise;*
 - (f) *where there is a termination or addition of a Sponsor during the vetting process of the listing application, the Exchange will normally require the applicant to submit a new listing application form detailing a revised timetable and a further non-refundable initial listing fee in the amount specified in Appendix 9. Any initial listing fee paid will, in such circumstances, be forfeited; and*

- (g) *the submission of an application form shall be deemed to confer authority upon the Exchange to notify to:—*
 - (i) *any other applicants the proposed timetables of which coincide or overlap with the applicant's timetable, the estimated size of the applicant's issue and the current date on which it is proposed that the application lists will close; and*
 - (ii) *the Securities and Future Commission and the Hong Kong Monetary Authority, the details of the application.*
- (3) *If it is an overseas issuer, the applicable law under which it is incorporated or otherwise established must be stated.*
- (4) *In the case of an introduction, this application must state the names and holdings (if known) of the 10 largest beneficial holders of the securities, the total number of holders and particulars of the holdings of the directors and their family interests.*
- (5) *Please refer to rule 11.24 of the GEM Listing Rules for guidance.*
- (6) *"Identical" means in this context:—*
 - (a) *the securities are of the same nominal value with the same amount called up or paid up;*
 - (b) *they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution the dividend/interest payable per unit will amount to exactly the same sum (gross and net); and*
 - (c) *they carry the same rights as to unrestricted transfer, attendance and voting at meetings and rank pari passu in all other respects.*
- (7) *If insufficient space is provided for completion of any paragraph, additional information may be entered on a separate sheet of paper, duly signed and attached.*
- (8) *To the extent that this form is required to be signed on the behalf of the Sponsor, the Exchange expects that it would be signed by Principal(s) who act(s) as the supervisor(s) of the Transaction Team (as defined in the SFC Sponsor Provisions) undertaking the listing assignment. However, notwithstanding who signs this form on behalf of the Sponsor, the Management (as defined in the SFC Sponsor Provisions) of the Sponsor will be ultimately responsible for supervision of the work carried out by the Sponsor firm and quality assurance in respect of that work. The Exchange reminds Sponsors of their obligations to have effective internal systems and controls and proper supervision and oversight including but not limited to those obligations under the SFC Sponsor Provisions.*

Appendix 5

FORMS RELATING TO LISTING

FORM B

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

In circumstances where the application is required to be supported by a listing document this form must be lodged, duly completed, at least 10 clear business days prior to the date on which the issuer proposes to bulk print the listing document and, in circumstances where the application is not required to be supported by a listing document, this form must be submitted at least 4 clear business days prior to the proposed date for issuing the securities.

To: The Listing Division,
The Stock Exchange of Hong Kong Limited

..... / /

Dear Sirs,

1. We, [Limited] (in English) (in Chinese) (the "Issuer") hereby apply for the listing of and for the permission to deal in the securities referred to in paragraph 4(b) below subject to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").
2. Please indicate the person or the persons at the relevant Sponsor to whom the Exchange should respond in relation to this application, if applicable, (*Note 1*):
.....
.....
.....
.....
.....
.....
3. Proposed timetable for the listing (please specify dates):
 - (a) bulk print date, if applicable:
 - (b) listing document date, if applicable:
 - (c) application lists close, if applicable:
 - (d) announcement of results, if applicable:
 - (e) refund cheques despatched, if applicable:
 - (f) documents of title despatched:
 - (g) dealings commence:

4. Details of share capital:

(a) Authorised share capital of [currency]. [amount] divided into:

<u>Class</u>	<u>Number</u>	<u>Par value per share</u>	<u>Total Nominal value</u>
	(A)	(B) [currency]	(C) = (A) x (B) [currency]

Total

(b) Issued (and paid up) share capital, inclusive of proposed issue (for which application is now made), of [currency]. [amount] divided into:

<u>Class</u>	<u>Number</u>	<u>Par value per share</u>	<u>Total nominal value</u>
	(A)	(B) [currency]	(C) = (A) x (B) [currency]

In issue
before the
offer

Proposed to
be issued
pursuant to
the offer

- maximum
(if applicable)

- minimum
(if applicable)

Total

5. The securities for which application is now made are proposed to be listed by way of

(Note 2)

6. Minimum amount of capital to be raised by the Issuer (if applicable) *(Note 3)*:

7. Estimated percentage of the securities in the hands of the public (immediately following listing of the securities):

<u>Class of securities</u>	<u>Estimated percentage in the hands of the public</u>
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8. Whether or not it is proposed that the issue be underwritten (if applicable), and if so, by whom and the amount of securities to be underwritten:

9. The securities for which application is now made

(a) are/are not* identical in all respects

(Note 4)

(b) are/are not* identical in all respects with an existing class of security

(Note 4)

(If the securities are not identical now, but will become so in the future, a statement as to when they will become identical must be added to (a) or (b) above.)

(c) are not listed or dealt in on another stock exchange/are listed or dealt in on the following stock exchange(s)*

(d) have been in the previous 6 months, are or will be the subject of an application for listing on the following stock exchange(s)

***Delete as appropriate**

10. * 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 Issuer or of its holding company (*Note 5*):—

<u>Name</u>	<u>Address</u>	<u>Extent of holding and in which company</u>
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* This paragraph is not applicable in the case of capitalisation issues.

11. Brief summary of any applications for waiver from compliance with any of the GEM Listing Rules (please attach a detailed waiver application)

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12. The following are the qualifications of the undermentioned person(s) whose opinion(s) as (an) expert(s) is/are referred to in any document included in this application:—

<u>Name</u>	<u>Qualifications</u>	<u>Document</u>

13. Details of renounceable document (where applicable):

- (a) type of document (which must comply with Part A of Appendix 2 to the GEM Listing Rules).
- (b) proposed date of issue
- (c) last day for splitting:
- (i) nil paid
- (ii) partly paid
- (iii) fully paid
- (d) last day for renunciation

- (e) last day of dealing:
- (i) nil paid
- (ii) partly paid
14. Definitive certificates (in respect of the class of security/securities for which listing is sought) have already been issued for shares and will be ready on for shares.
15. A cheque numbered (cheque number) drawn on (bank) for \$[], the amount specified in Appendix 9, has been enclosed for payment of the listing fee.
16. **We hereby undertake:—**
- (a) to advise the Exchange if any change of circumstance arises prior to the hearing date of the application (if applicable) or the date on which we propose to bulk print the listing document (if any) or the proposed date of issue of the securities the subject of this application, that would render any information contained in this application form or the listing document (if any) misleading in any material respect;
- (b) to lodge with the Exchange, before dealings in the securities the subject of this application commence, the declaration (Appendix 5E) required by rule 12.27(8) of the GEM Listing Rules; and
17. **We declare, to the best of our knowledge and belief, having made due and careful enquiries, that:—**
- (a) all of the documents required by the GEM Listing Rules to be included with this application have been supplied to the Exchange;
- (b) the information supplied in this form and in the documents submitted together with this form is accurate and complete in all material respects and not misleading (save in respect of matters that cannot be ascertained as at the date of this form);
- (c) all the qualifications for listing set out in the relevant chapters of the GEM Listing Rules have, insofar as applicable and required to be met or fulfilled prior to application, been met or fulfilled in relation to the Issuer and the securities of the Issuer referred to in paragraph 4(b) above;
- (d) all information required to be included in the listing document (if any) by virtue of the GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Code on Takeovers and Mergers and all other relevant regulations, has been included therein or, for information that cannot be ascertained as at the date of this form, will be included therein before the final version of the listing document is submitted for review;
- (e) all the requirements of the GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Code on Takeovers and Mergers and all other relevant regulations, insofar as applicable and required to be fulfilled at the time of application, have been fulfilled in relation to the Issuer and the securities of the Issuer referred to in paragraph 4 above; and

- (f) there are no other facts bearing on the Issuer's application for listing of and permission to deal in such securities which, in our opinion, should be disclosed to The Stock Exchange of Hong Kong Limited.

17A. We are required to file copies of our application with the Securities and Futures Commission ("SFC") under section 5(1) of the Securities and Futures (Stock Market Listing) Rules ("Rules"). Pursuant to section 5(2) of the Rules, we hereby authorise the Exchange to file all such materials with the SFC on our behalf as and when we file them with the Exchange.

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

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

The authorisation aforementioned 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. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe. In addition, we undertake to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require.

Yours faithfully,

Signed:
Name:
Director, Secretary or other
duly authorised officer*
for and on behalf of
Name of Issuer:

*Delete as appropriate

NOTES

- (1) 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.

- (2) *Give particulars of the proposed method of listing of the securities, i.e., whether by offer for subscription, offer for sale, placing, introduction, rights issue, open offer, capitalisation issue, consideration issue, exchange, substitution, conversion, exercise of option or warrant, subscription under an option scheme or otherwise.*
- (3) *Please refer to rule 11.24 of the GEM Listing Rules for guidance.*
- (4) *“Identical” means in this context:—*
 - (1) *the securities are of the same nominal value with the same amount called up or paid up;*
 - (2) *they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution the dividend/interest payable per unit will amount to exactly the same sum (gross and net); and*
 - (3) *they carry the same rights as to unrestricted transfer, attendance and voting at meetings and rank pari passu in all other respects.*
- (5) *In paragraph 10, “substantial shareholder” means a person entitled to exercise, or control the exercise of, ten per cent. or more of the voting power at any general meeting.*
- (6) *If insufficient space is provided for completion of any paragraph, additional information may be entered on a separate sheet of paper, duly signed and attached.*

Appendix 5

FORMS RELATING TO LISTING

FORM C

Application Form - Debt securities

This form, must be lodged, duly completed, in the case of an issuer applying for the simultaneous listing of both equity and debt securities, in accordance with the timetable relevant to the application to list such equity securities and, otherwise, as follows:

- (i) in circumstances where the application is required to be supported by a listing document at least 10 clear business days prior to the provisional hearing date of the application by the GEM Listing Committee or, in the case of debt issues to professional investors only, such other period as may be agreed with the Exchange; or**
- (ii) in circumstances where the application is not required to be supported by a listing document, the application must be submitted at least 4 clear business days prior to the proposed date for issuing the securities.**

To: The Listing Division,
The Stock Exchange of Hong Kong Limited

. /

Dear Sirs,

1. We, [Limited] (in English) (in Chinese) (the "Issuer"), hereby apply for the listing of and for the permission to deal in the securities referred to in paragraph 5 below subject to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). *(Note 1)*
2. Please indicate the person or persons at the relevant Sponsor to whom the Exchange should respond in relation to this application, if applicable *(Note 2)*:
.
.
.
3. Proposed timetable for the listing (please specify dates, as applicable):
 - (a) Exchange hearing:
 - (b) bulk print date, if applicable:
 - (c) listing document date, if applicable:
 - (d) application lists close, if applicable:
 - (e) announcement of results, if applicable:
 - (f) refund cheques despatched, if applicable:

(g) documents of title despatched:

(h) dealings commence:

4. Details of share capital: (*Note 3*)

(a) Authorised share capital of [*currency*]. [*amount*] divided into:

<u>Class</u>	<u>Number</u>	<u>Par value per share</u>	<u>Total Nominal value</u>
	(A)	(B) [<i>currency</i>]	(C) = (A) x (B) [<i>currency</i>]

Total

(b) Issued (and paid up) share capital of [*currency*]. [*amount*] divided into:

<u>Class</u>	<u>Number</u>	<u>Par value per share</u>	<u>Total Nominal value</u>
(A)	(B)	(C) = (A) x (B) [<i>currency</i>]	[<i>currency</i>]

Total

5. Please specify the types and numbers of securities for which application is now made. In circumstances where the exact number of securities has not yet been ascertained, please specify the minimum and maximum number of securities in respect for which listing may, ultimately, be sought:

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

6. The securities for which application is now made are proposed to be listed by way of
.....
(Note 4)

7. The securities for which application is now made

(a) are/are not* identical in all respects

.....
.....
(Note 5)

(b) are/are not* identical in all respects with an existing class of security

.....
.....
(Note 5)

(If the securities are not identical now, but will become so in the future, a statement as to when they will become identical must be added to (a) or (b) above.)

(c) are not listed or dealt in on another stock exchange/are listed or dealt in on the following stock exchange(s)*.

(d) have been in the previous 6 months, are or will be the subject of an application for listing on the following stock exchange(s)*.

***Delete as appropriate**

8. 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 Issuer or of its holding company (Note 6):—

Name	Address	Extent of holding and in which company
------	---------	---

9. Brief summary of any applications for waiver from compliance with any of the GEM Listing Rules (please attach a detailed waiver application)

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10. The following are the qualifications of the undermentioned person(s) whose opinion(s) as (an) expert(s) is/are referred to in any document included in this application:—

<u>Name</u>	<u>Qualifications</u>	<u>Document</u>

11. Definitive certificates (in respect of the class of security/securities for which listing is sought) have already been issued for stock and will be ready on for stock.

12. A cheque numbered (cheque number) drawn on (bank) for \$[.....], the amount specified in Appendix 9, has been enclosed for payment of the listing fee.

13. **We hereby undertake:—**

- (a) **for so long as any of our securities are listed on GEM, to comply at all times with all the requirements of the GEM Listing Rules, relevant to issuers of debt securities from time to time in force (save for any that are stated not to apply);**
- (b) **to advise the Exchange if any change of circumstance arises prior to the hearing date of the application (if applicable) or the proposed date of issue of the securities the subject of this application, that would render any information contained in this application form or the listing document (if any) misleading in any material respect;**
- (c) **to lodge with the Exchange, before dealings in the securities the subject of this application commence, the declaration (Appendix 5E) required by rule 28.16(9) of the GEM Listing Rules; and**
- (d) **to comply with the requirements of the standard electronic format published by the Exchange from time to time. (Note 7)**

Any new applicant (but not for the avoidance of doubt a listed issuer) must attach a certified extract from the board minutes of the Issuer authorising the submission of this form and approving the undertaking and declaration set out herein.

14. **We declare, to the best of our knowledge and belief, having made due and careful enquiries, that:—**

- (a) **all of the documents required by the GEM Listing Rules to be included with this application have been supplied to the Exchange;**
- (b) **the information supplied in this form and in the documents submitted together with this form is accurate and complete in all material respects and not misleading (save in respect of matters that cannot be ascertained as at the date of this form);**
- (c) **all the qualifications for listing set out in the relevant chapters of the GEM Listing Rules have, insofar as applicable and required to be met or fulfilled prior to application, been met or fulfilled in relation to the Issuer and the securities of the Issuer referred to in paragraph 5 above;**
- (d) **all information required to be included in the listing document (if any) by virtue of the GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Code on Takeovers and Mergers and all other relevant regulations, has been included therein or, for information that cannot be ascertained as at the date of this form, will be included therein before the final version of the listing document is submitted for review;**
- (e) **all the requirements of the GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, the Code on Takeovers and Mergers and all other relevant regulations, insofar as applicable and required to be fulfilled at the time of application, have been fulfilled in relation to the Issuer and the securities of the Issuer referred to in paragraph 5 above; and**
- (f) **there are no other facts bearing on the Issuer's application for listing of and permission to deal in such securities which, in our opinion, should be disclosed to The Stock Exchange of Hong Kong Limited. (Note 8)**

14A. **We are required to file copies of our application with the Securities and Futures Commission ("SFC") under section 5(1) of the Securities and Futures (Stock Market Listing) Rules ("Rules"). Pursuant to section 5(2) of the Rules, we hereby authorise the Exchange to file all such materials with the SFC on our behalf as and when we file them with the Exchange.**

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

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

The authorisation aforementioned 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. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner and number of copies as the Exchange may from time to time prescribe. In addition, we undertake to execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require.

Yours faithfully,

Signed:
Name:
Director, Secretary or other
duly authorised officer*
for and on behalf of
Name of Issuer/Guarantor:
*(Note 7)

*Delete as appropriate

NOTES

- (1) *Insert name of Issuer of securities. If the Issuer is a new applicant that 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.*
- (2) *Please refer to rules 6A.34, 27.04 and 30.08 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.*
- (3) *Paragraph 4 need not be completed by an Issuer applying for the simultaneous listing of both equity and debt securities.*
- (4) *Give particulars of the proposed method of listing of the securities, i.e., whether by offer for subscription, offer for sale, placing, exchange, substitution, conversion, exercise of option or warrant or otherwise.*
- (5) *"Identical" means in this context:—*
 - (a) *the securities are of the same nominal value with the same amount called up or paid up;*
 - (b) *they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution the dividend/interest payable per unit will amount to exactly the same sum (gross and net); and*
 - (c) *they carry the same rights as to unrestricted transfer, attendance and voting at meetings and rank pari passu in all other respects.*
- (6) *"Substantial shareholder" means a person entitled to exercise, or control the exercise of, 10 per cent. or more of the voting power at any general meeting.*
- (7) *In the case of a guaranteed issue, this form, in addition to being completed by the Issuer, must be adapted in a manner approved by the Exchange and duly completed by the guarantor. In particular, the guarantor is required to complete the undertaking set out in paragraph 13 (save as regards sub-paragraphs (c) and (d)) and declaration set out in paragraph 14. The guarantor must attach a certified extract from the board minutes of the guarantor authorising the submission of this form and approving the undertaking and declaration referred to above.*
- (8) *If insufficient space is provided for completion of any paragraph, additional information may be entered on a separate sheet of paper, duly signed and attached.*

Appendix 5

FORMS RELATING TO LISTING

FORM D

Marketing statement (concerning a placing of equity securities)

A separate marketing statement in this form must be completed by the lead broker, any distributor(s) and every Exchange Participant with whom or through whom the securities are placed in the following circumstances:—

- (1) a placing of equity securities by or on behalf of a new applicant
- (2) a placing of equity securities of a class new to listing by or on behalf of a listed issuer.

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

To: The Listing Division,
The Stock Exchange of Hong Kong Limited

. . . . / /

A. GENERAL

1. Name of issuer (in English)
. (in Chinese)
2. Description of security
3. Total amount or number of securities of the issuer/vendor being placed
4. Total amount or number of securities being placed by the undersigned
.
- *5. Net price to the issuer/vendor (Note 4)
- *6. Name of lead broker
- *7. Name(s) of distributor(s) (if appropriate)
 1.
 2.
 3.
 4.

*8. Name(s) of the persons(s) or firm(s) from whom the undersigned obtained the securities to be placed by the undersigned

* (To be completed by lead broker only) (*Note 3*)

B. SUMMARY OF DISTRIBUTION

9. (To be completed by lead broker only) (<i>Note 3</i>)	Amount or number of securities	% of placing
Distributors		(1)
(As in A7)
		(2)

		(3)

		(4)

General public
Total (as in A3)	100

C ANALYSIS OF DISTRIBUTION

10.			Amount or number of securities	% of placing
	By the undersigned to: <i>(Note 5)</i>	Number of holders		
	(1) Connected clients (as defined in Note 2 to rule 10.12 of the GEM Listing Rules)	. . . . .	. . . . .	. . . . .
	(2) Directors/substantial shareholders and significant shareholders * of the issuer and their respective close associates (*significant shareholders in respect only of an initial public offer)	. . . . .	. . . . .	. . . . .
	(3) Employees of the issuer	. . . . .	. . . . .	. . . . .
	(4) Customers or clients of the issuer	. . . . .	. . . . .	. . . . .
	(5) Suppliers to the issuer	. . . . .	. . . . .	. . . . .
	(6) Other Exchange Participants (see also C12 below)	. . . . .	. . . . .	. . . . .
	(7) Retained by the undersigned	. . . . .	. . . . .	. . . . .
	(8) Other	. . . . .	. . . . .	. . . . .
	(9) TOTAL	. . . . .	. . . . . (As in A4)	. . . . .
11.	By the lead broker to the general public: (To be completed by lead broker only) <i>(Note 3)</i>			
	(1) Offered to the public	N/A	. . . . .	. . . . .
	(2) Applied for by the public	. . . . .	. . . . .	N/A
	(3) Basis of allocation, where oversubscribed	. . . . .	. . . . .	. . . . .
	

12.	By the undersigned to other Exchange Participants <i>(Note 6)</i>	Name of Exchange Participant	Amount or number of securities	% of placing
		
	Total	As in C.10(6)	. . . . .	. . . . .

13. Distribution of Placees (To be completed by lead broker in relation to a placing of equity securities by or on behalf of new applicant only)

(1) Distribution of Placing Shares		Number of	
Number of Shares (indicate range)		Placees	% of Placing
(i) to
(ii) to
(iii) to
(iv) to
(v) to
(vi) to
(vii) to
(viii) to
(ix) to
(x) to
(2) Concentration of Placing Shares		Number of Shares	% of Placing
(i) Top Placee	
(ii) Top 5 Placees	
(iii) Top 10 Placees	
(iv) Top 25 Placees	

Signed

Name and position held

Name of company

Date

NOTES

1. *Marketing statements will only be accepted when the required details are typed on the statement.*
2. *A marketing statement in this form must be completed by each of the distributors named in paragraph 9 and each of the other Exchange Participants (if any) named in paragraph 12 and sent directly to the Exchange by that person.*
3. *Paragraphs 5-8 of GENERAL, paragraph 9 of SUMMARY OF DISTRIBUTION and paragraphs 11 and 13 of ANALYSIS OF DISTRIBUTION need be completed by the lead broker only.*
4. *In paragraph 5, the net price should represent the effective issue price to the issuer or vendor.*
5. *Please refer to rule 10.12 of the GEM Listing Rules for guidance.*
6. *In completing paragraphs 10(6) and 12, the lead broker may exclude the distributors named by him in paragraph 9.*
7. *As soon as practicable after the hearing of the application by the Exchange but before dealings commence, a list setting out the names, addresses and identity card or passport numbers (in case of individuals) and the names, addresses and registration numbers (in the case of companies) of all placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each placee must be lodged with the Exchange.*

Appendix 5

FORMS RELATING TO LISTING

FORM E

Declaration of compliance

The following is a suggested form of declaration which may be amended to meet individual cases.

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... / /

I, a director / the company secretary of [Limited]
(in English) (in Chinese) ("the Issuer"), declare to the best of my knowledge,
information and belief as follows:—

1. that all documents required by the Companies (Winding Up and Miscellaneous Provisions) Ordinance to be filed with the Registrar of Companies in connection with the issue/offer/introduction on / / of the following securities of the Issuer, namely (insert particulars), have been duly filed and that to the best of our knowledge, information and belief compliance has been made with all other legal requirements in connection with such issue/offer/ introduction;
2. that all pre-conditions for listing imposed by Chapter 11 and/or Chapter 27 or Chapter 30 of the "Rules Governing the Listing of Securities of the Growth Enterprise Market of The Hong Kong Stock Exchange Limited" have, insofar as applicable, been fulfilled in relation to the Issuer and the securities of the Issuer referred to in paragraph 1 above;
3. that [number] [class of equity securities] of par value [amount] each and/or [currency] [amount] nominal of [type of debt securities] with a denomination of [currency] [amount] each have been subscribed/purchased for cash and duly allotted/issued/transferred to the subscribers/purchasers;
4. that all money due to the Issuer in respect of the issue/offer has been received by it;
5. that [number] [class of equity securities] of par value [amount] each and/or [currency] [amount] nominal of [type of debt securities] with a denomination of [currency] [amount] each have been issued and credited as fully paid by way of conversion/exchange/consideration for property acquired/other consideration not being cash and have been duly allotted/issued/transferred to the persons entitled thereto;
6. that the definitive documents of title have been delivered/are ready to be delivered/are being prepared and will be delivered in accordance with the terms of the issue;
7. that the number of shares forming the subject of the listing is as follows (insert exact amounts and descriptions of securities (giving distinctive numbers if any)):
(applicable only to new applicants for listing)

.....
.....

8. that completion has taken place of the purchase by the Issuer of all property shown in the listing document to holders of the Issuer's securities dated/. . . ./. . . . as having been purchased or agreed to be purchased by it and the purchase consideration for all such property has been duly satisfied;
9. that the trust deed/deed poll relating to the said debt securities has been completed and executed and a copy has been lodged with The Stock Exchange of Hong Kong Limited and that particulars thereof, if so required by law, have been filed with the Registrar of Companies;
10. that all the shares/debt securities of each class referred to above are in all respects identical (*Note 1*);
11. that no alterations have been made to the version of the listing document which has been reviewed by The Stock Exchange of Hong Kong Limited and on which it has confirmed to the Issuer that it has no further comments other than in relation to the pricing of the issue or takeover offer, number of securities, figures depending on such information and correction of errors; and
12. that all (if any) conditions contained in the formal letter granting listing of and permission to deal in the securities have been fulfilled.

Signed
 Name:
 Director

Signed
 Name:
 Secretary

For and on behalf of

Name of Issuer:

NOTES

1. *"Identical" means in this context:—*
 - (a) *the securities are of the same nominal value with the same amount called up or paid up;*
 - (b) *they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution, the dividend/interest payable per unit will amount to exactly the same sum (gross and net); and*
 - (c) *they carry the same rights as to unrestricted transfer, attendance and voting at meetings and rank pari passu in all other respects.*
2. *This declaration should be signed for and on behalf of the Issuer by both a director and the secretary of the Issuer.*

Appendix 5

FORMS RELATING TO LISTING

FORM F

The Growth Enterprise Market (GEM)

Company Information Sheet

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this information sheet, 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 information sheet.

Company name:

Stock code (ordinary shares):

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

The information in this sheet was updated as of

A. General

Place of incorporation :

Date of initial listing on GEM :

Name of Sponsor(s) :

Names of directors:
(please distinguish the status of the directors -
Executive, Non-Executive or Independent
Non-Executive) :

Name(s) of substantial shareholder(s)
(as such term is defined in rule 1.01 of the
GEM Listing Rules) and their respective
interests in the ordinary shares and other
securities of the Company :

Name(s) of company(ies) listed on GEM
or the Main Board of the Stock Exchange
within the same group as the Company :

Financial year end date :

Registered address	:
Head office and principal place of business	:
Web-site address (if applicable)	:
Share registrar	:
Auditors	:

B. Business activities

(Please insert here a brief description of the business activities undertaken by the Company and its subsidiaries.)

C. Ordinary shares

Number of ordinary shares in issue	:
Par value of ordinary shares in issue	:
Board lot size (in number of shares)	:
Name of other stock exchange(s) on which ordinary shares are also listed	:

D. Warrants

Stock code	:
Board lot size	:
Expiry date	:
Exercise price	:
Conversion ratio <i>(Not applicable if the warrant is denominated in dollar value of conversion right)</i>	:
No. of warrants outstanding	:
No. of shares falling to be issued upon the exercise of outstanding warrants	:

E. Other securities

Details of any other securities in issue.

(i.e. other than the ordinary shares described in C above and warrants described in D above but including options granted to executives and/or employees).

(Please include details of stock code if listed on GEM or the Main Board or the name of any other stock exchange(s) on which such securities are listed).

If there are any debt securities in issue that are guaranteed, please indicate name of guarantor.

Responsibility statement

The directors of the Company (the “Directors”) as at the date hereof hereby collectively and individually accept full responsibility for the accuracy of the information contained in this information sheet (“the Information”) and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief the Information is accurate and complete in all material respects and not misleading or deceptive and that there are no other matters the omission of which would make any Information inaccurate or misleading.

The Directors also collectively and individually accept full responsibility for submitting a revised information sheet, as soon as reasonably practicable after any particulars on the form previously published cease to be accurate.

The Directors acknowledge that the Stock Exchange has no responsibility whatsoever with regard to the Information and undertake to indemnify the Exchange against all liability incurred and all losses suffered by the Exchange in connection with or relating to the Information.

Signed:

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

NOTES

- 1 *This information sheet must be signed by or pursuant to a power of attorney for and on behalf of each of the Directors of the Company.*
- 2 *Pursuant to rule 17.52 of the GEM Listing Rules, the Company must submit to the Exchange (in the electronic format specified by the Exchange from time to time) for publication on the GEM website a revised information sheet, together with a hard copy duly signed by or on behalf of each of the Directors, as soon as reasonably practicable after any particulars on the form previously published cease to be accurate.*
- 3 *Please send a copy of this form by facsimile transaction to Hong Kong Securities Clearing Company Limited (on 2815-9353) or such other number as may be prescribed from time to time) at the same time as the original is submitted to the Exchange.*

Appendix 6 附錄六

DIRECTOR'S AND SUPERVISOR'S FORMS

董事及監事的表格

Form A A表格

Director's Declaration, Undertaking and Acknowledgement 董事的聲明、承諾及確認

Part 1 第一部分

DECLARATION 聲明

1.	State:— 請填報：	in English 英文	in Chinese 中文
(a)	present surname and any former surname(s)* 現時姓氏及任何前度姓氏*	.....	.....
(b)	alias, if any* 別名，如有*	.....	.....
(c)	present forename(s) and any former forename(s)* 現時名字及任何前度名字*	.....	.....
(d)	date of birth 出生日期	.....	.....
(e)	residential address 住址	.....	.....
(f)	nationality and former nationality, if any 國籍及前度國籍，如有	.....	.....
(g)	(i) Hong Kong ID card number 香港身份證號碼	.....	.....
	(ii) in the case of a non-Hong Kong ID cardholder, passport number or any identification document number and name of issuing authority 如為非香港身份證持有人，請列明護照號碼或 任何身份識別文件號碼，以及簽發機構名稱	.....	.....
(h)	name of issuer (i.e. the new applicant/listed issuer) 發行人（新申請人／上市發行人）名稱	.....	.....
*	As set out in the Hong Kong ID card, or any relevant identification document referred to in 1(g) above.		
*	香港身份證或上文1(g)所述的任何有關身份識別文件上所示者。		

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

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

(Tick as appropriate)

（請在適當方格內加上√號）

In the case of new applicant:

如屬新申請人：

- ☐ the listing document dated which has been duly registered with the Companies Registry.
日期為 年 月 日並已正式在公司註冊處登記的上市文件。

In the case of listed issuer:

如屬上市發行人：

- ☐ the announcement dated by the issuer as required under GEM Listing Rule 17.50(2) with regard to my appointment as a director of the issuer.
發行人按《創業板上市規則》第17.50(2)條的規定，就委任本人為發行人董事的公告。
公告日期為 年 月 日。

Part 2
第二部分

UNDERTAKING AND ACKNOWLEDGEMENT
承諾及確認

The particulars referred to in this Part 2 are:—
此第二部分所述的資料為：

- (a) in the exercise of my powers and duties as a director of (Insert the name of the issuer) I, the undersigned, shall:—
在行使 (填入發行人名字) 董事的權力及職責時，本人(簽署人)須：
- (i) comply to the best of my ability with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited from time to time in force (the “GEM Listing Rules”);
盡力遵守不時生效的《香港聯合交易所有限公司創業板證券上市規則》(《創業板上市規則》)；
- (ii) use my best endeavours to procure that the issuer shall so comply; and
盡力促使發行人遵守《創業板上市規則》；及
- (iii) use my best endeavours to procure that any alternate of mine shall so comply;
盡力促使本人的任何替任人遵守《創業板上市規則》；
- (b) I shall, in the exercise of my powers and duties as a director of the issuer, comply to the best of my ability with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance, the Code on Takeovers and Mergers, the Code on Share Buy-backs and all other securities laws and regulations from time to time in force in Hong Kong, and I shall use my best endeavours to procure that the issuer shall so comply;
本人在行使發行人董事的權力及職責時，將盡力遵守《公司條例》、《公司(清盤及雜項條文)條例》、《證券及期貨條例》、《公司收購及合併守則》、《公司股份回購守則》及香港所有其他不時生效的有關證券的法例及規例，本人並會盡力促使發行人遵守上述各項；
- (c) I shall:
本人將：
- (i) provide to the Exchange as soon as possible, or otherwise in accordance with time limits imposed by the Exchange:
盡快或根據本交易所設定的時限向本交易所提供以下資料及文件：
- (1) any information and documents that the Exchange reasonably considers appropriate to protect investors or ensure the smooth operation of the market; and
本交易所合理地認為可保障投資者或確保市場運作暢順的任何資料及文件；及
- (2) any other information and documents or explanation that the Exchange may reasonably require for the purpose of verifying compliance with the GEM Listing Rules; and
本交易所可為核實是否有遵守《創業板上市規則》事宜而合理地要求的任何其他資料及文件或解釋；及

- (ii) cooperate in any investigation conducted by the Listing Division (as such term is defined in rule 1.01 of the GEM Listing Rules) and/or the GEM Listing Committee (as such term is defined in rule 1.01 of the GEM Listing Rules) of The Stock Exchange of Hong Kong Limited, including answering promptly and openly any questions addressed to me, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which I am requested to appear;

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

- (d) I shall, for so long as I remain a director of the issuer and for a further period of 3 years from the date on which I cease to be a director of the issuer, inform The Stock Exchange of Hong Kong Limited, by notice in writing to the Executive Director of the Listing Division, of any change to my contact address for correspondence from and service of notices and other documents by The Stock Exchange of Hong Kong Limited as soon as reasonably practicable and in any event within 28 days of such change. I acknowledge and agree that a document or notice, for whatever purposes, including but not limited to the service of notice of disciplinary proceedings, shall be deemed to have been validly and adequately served on me by The Stock Exchange of Hong Kong Limited when the document or notice is served personally on me or is sent by post or facsimile to the address I provide to The Stock Exchange of Hong Kong Limited. I agree and acknowledge that I am responsible for keeping The Stock Exchange of Hong Kong Limited informed of my up-to-date contact address. I acknowledge that, if I fail to provide The Stock Exchange of Hong Kong Limited with my up-to-date contact address or arrange for notices, documents or correspondence to be forwarded to me, I may not be alerted to any proceedings commenced against me by The Stock Exchange of Hong Kong Limited;

在本人出任發行人董事期間以至辭去發行人董事職務之日起計三年內，若本人用以接收香港聯合交易所有限公司發出的書信、送達的通知書及其他文件的聯絡地址有任何變動，本人將會在合理可行的情況下盡快及在任何情況下於有關變動出現後28日內，向上市科主管發出書面通知，知會香港聯合交易所有限公司有關變動。本人確認及同意，若有任何文件或通知(不論其目的，包括(但不限於)送達紀律程序的通知)以面交本人的方式，或以郵寄或傳真的方式送達本人向香港聯合交易所有限公司提供的地址，該文件或通知即被視為香港聯合交易所有限公司已有效及充分地送達本人。本人同意及確認，本人有責任向香港聯合交易所有限公司提供本人最新的聯絡地址。本人確認，若本人未能向香港聯合交易所有限公司提供本人最新的聯絡地址，或未有為送呈本人的通知、文件或書信提供轉送安排，本人可能會不知悉香港聯合交易所有限公司向本人展開的任何程序；

- (e) I hereby give my irrevocable authority to the Executive Director of the Listing Division, or to any person authorised by him, to disclose any of the foregoing particulars given by me to members of the GEM Listing Committee and, with the approval of the Chairman or a Deputy Chairman of The Stock Exchange of Hong Kong Limited, to such other persons, as the said Executive Director of the Listing Division may from time to time think fit; and

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

- (f) I hereby submit to the jurisdiction of The Stock Exchange of Hong Kong Limited in respect of all matters relevant to the GEM Listing Rules.

本人在此接受香港聯合交易所有限公司就有關《創業板上市規則》各方面的管轄。

I, [Insert Chinese name, if any]:

本人. [請填上中文姓名(如有)]:

- (i) solemnly and sincerely declare that all particulars about me that appear in Part 1(1) of this Form A and in the document referred to in Part 1(2) of this Form A are true, complete and accurate, that I accept responsibility for the truthfulness, accuracy and completeness of the foregoing particulars, that I have not made any statements or omissions which would render such particulars untrue or misleading, that I understand the possible consequences of giving information which is false or misleading in a material particular including those as set forth in Note (1) hereto, and that I understand that The Stock Exchange of Hong Kong Limited may rely upon the foregoing particulars in assessing my suitability to act as a director of the issuer; and

謹以至誠鄭重聲明，在本A表格第一部分(1)及本A表格第一部分(2)所述文件所示有關本人的所有詳細資料均為真實、完整及準確，且本人對上述資料的真實性、準確性及完整性承擔責任，而本人亦無作出任何聲明或遺漏，致使有關資料不真實或具誤導性，本人亦明白在要項上提供虛假或具誤導性的資料可能引致的後果(包括本表格附註1所載內容)；本人並明白，香港聯合交易所有限公司或會倚賴上述資料來評估本人是否適合出任發行人董事；及

- (ii) undertake and acknowledge with The Stock Exchange of Hong Kong Limited in the terms set out in Part 2 of this Form A.

按本A表格第二部分所載的條款向香港聯合交易所有限公司作出承諾及確認。

Signature 簽署:

Name of director 董事姓名:

Hong Kong ID Card Number*

香港身份證號碼*:

Dated 日期:

Certified as the true signature of

由以下人士證明上述簽署為.的真實簽署

By:

Signature (Secretary/Director)

簽署(秘書/董事):

Name (Secretary/Director)

姓名(秘書/董事):

* In the case of a non-Hong Kong ID cardholder, state the passport number or any identification document number and name of issuing authority.

如為非香港身份證持有人，請列明護照號碼或任何身份識別文件號碼，以及簽發機構名稱。

Part 3
第三部分

- (A) *If the issuer is a new applicant, the following sponsor's certification must be completed:—*
如發行人為新申請人，下列的保薦人證明亦須填報：

SPONSOR'S CERTIFICATION
保薦人證明

We,, are the sponsor for the issuer appointed on [Date] for the purpose referred to in GEM Listing Rule 6A.02 and have offices located at
We hereby certify that we have read the particulars provided by [Insert name of director] in and any document referred to in Part 1 (1) and (2) of this Form A and we are not aware of any information that would lead a reasonable person to inquire further concerning the truthfulness, completeness or accuracy of any of the particulars so provided.

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

Executed this day of, 20, in
本證明於 20.年.月.日在.簽立。

(Signed簽署).

- (B) The following solicitor's certification must be completed whenever this Form A is required to be lodged with The Stock Exchange of Hong Kong Limited:—
按規定須向香港聯合交易所有限公司呈報本A表格的，均須填報下列律師證明：

SOLICITOR'S CERTIFICATION

律師證明

We, are a firm of solicitors qualified to advise on Hong Kong law with offices located at We hereby certify that we have explained all applicable requirements and procedures for completing and executing this Form A and the documents referred to in this Form A, and the possible consequences of making any false declaration or giving false information, to [Insert name of director]. Further, we hereby certify that [Insert name of director] has acknowledged to us that he / she understands the foregoing.

我們，.，為一家有資格就香港法律提供意見的律師行，辦事處設於.
我們茲證明，我們已向. [填入董事的姓名]解釋填報及簽立本A表格及本A表格所指的文件的所有適用規定和程序，以及作出任何虛假聲明或提供虛假信息所可能引致的後果。此外，我們茲證明. [填入董事的姓名]已向我們承認其了解上述各項。

Executed this day of, 20, in
本證明於 20 年 月 日在 簽立。

(Signed簽署)

Notes: (1) The failure of any person required to lodge this Form A to complete Part 1 of this Form A truthfully, completely and accurately, or the failure to execute Part 2 of this Form A or to observe any of the undertakings made under that Part, constitutes a breach of the GEM Listing Rules. In addition, every director of the issuer supplying information sought or referred to in this Form A, should note that such information constitutes information which is provided to the Exchange in purported compliance with a requirement to provide information under the "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance, Cap. 571) and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any information which is false or misleading in a material particular will render the relevant person liable for prosecution for an offence under section 384 of the Securities and Futures Ordinance. If you have any queries you should consult the Exchange or your professional adviser immediately.
附註：按規定須呈交本A表格的任何人士，若未能真實、完整及準確地填妥本A表格第一部分，或未能簽立本表格第二部分又或未能遵守該部分所作的任何承諾，均構成違反《創業板上市規則》。此外，凡提供本A表格所要求或所述資料的發行人董事均應注意，該等資料構成本意是為遵守「有關條文」（定義見香港法例第 571 章《證券及期貨條例》附表 1 第 1 部）項下關於提供資料的規定而向本交易所提供的資料，本交易所或會依賴該等資料。就此，閣下應注意，根據《證券及期貨條例》第384條，在要項上向本交易所提供虛假或具誤導性的資料，有關人士即屬犯法，會遭檢控。若閣下有任何疑問，應立即諮詢本交易所或閣下的專業顧問。

- (2) *To the extent that this form is required to be signed by the Sponsor, the Exchange expects that it would be signed by the Principal(s) who act(s) as the supervisor(s) of the Transaction Team (as defined in the SFC Sponsor Provisions) undertaking the listing assignment. However, notwithstanding who signs this form on behalf of the Sponsor, the Management (as defined in the SFC Sponsor Provisions) of the Sponsor will be ultimately responsible for supervision of the work carried out by the Sponsor firm and quality assurance in respect of that work. The Exchange reminds Sponsors of their obligations to have effective internal systems and controls and proper supervision and oversight including but not limited to those obligations under the SFC Sponsor Provisions.*

只要此表格是規定須由保薦人簽署，本交易所認為，此表格須由承擔有關上市工作的交易小組（定義見「證監會保薦人條文」）的監督的主事人簽署。不過，無論是誰代表保薦人簽署此表格，保薦人的管理層（定義見「證監會保薦人條文」）須就保薦人公司工作的監督及質素保證負有最終責任。本交易所提醒保薦人：其有責任設立有效的內部系統及監控，並作出妥善的監督及監管；有關責任包括但不限於「證監會保薦人條文」所載的責任。

Appendix 6 附錄六

DIRECTOR'S AND SUPERVISOR'S FORMS

董事及監事的表格

Form B B表格

Director's Declaration, Undertaking and Acknowledgement (PRC Issuer) 董事的聲明、承諾及確認（適用於中國發行人）

Part 1 第一部分

DECLARATION 聲明

1.	State:— 請填報：	in English 英文	in Chinese 中文
(a)	present surname and any former surname(s)* 現時姓氏及任何前度姓氏*	.....	.....
(b)	alias, if any* 別名，如有*	.....	.....
(c)	present forename(s) and any former forename(s)* 現時名字及任何前度名字*	.....	.....
(d)	date of birth 出生日期	.....	.....
(e)	residential address 住址	.....	.....
(f)	nationality and former nationality, if any 國籍及前度國籍，如有	.....	.....
(g)	(i) Hong Kong ID card number 香港身份證號碼	.....	.....
	(ii) in the case of a non-Hong Kong ID cardholder, passport number or any identification document number and name of issuing authority 如為非香港身份證持有人，請列明護照號碼或 任何身份識別文件號碼，以及簽發機構名稱	.....	.....
(h)	name of issuer (i.e. the new applicant/listed issuer) 發行人（新申請人／上市發行人）名稱	.....	.....
*	<i>As set out in the Hong Kong ID card, or any relevant identification document referred to in 1(g) above.</i>		
*	香港身份證或上文 1(g) 所述的任何有關身份識別文件上所示者。		

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

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

(Tick as appropriate)

(請在適當方格內加上√號)

In the case of new applicant:

如屬新申請人：

- ☐ the listing document dated which has been duly registered with the Companies Registry.

日期為.年.月.日並已正式在公司註冊處登記的上市文件。

In the case of listed issuer:

如屬上市發行人：

- ☐ the announcement dated by the issuer as required under GEM Listing Rule 17.50(2) with regard to my appointment as a director of the issuer.

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

Part 2
第二部分

UNDERTAKING AND ACKNOWLEDGEMENT
承諾及確認

The particulars referred to in this Part 2 are:—
此第二部分所述的資料為：

- (a) in the exercise of my powers and duties as a director of (Insert the name of the issuer) I, the undersigned, shall:—
在行使 (填入發行人名字) 董事的權力及職責時，本人 (簽署人) 須：
- (i) comply to the best of my ability with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited from time to time in force (the “GEM Listing Rules”), and all applicable laws, rules, regulations and normative statements from time to time in force in the PRC relating to the governing, operation, conduct or regulation of public companies in the PRC or elsewhere;
盡力遵守不時生效的《香港聯合交易所有限公司創業板證券上市規則》(《創業板上市規則》)，及不時生效的所有關於中國或其他地方的公眾公司的管轄、運作、行為或監管事宜的適用中國法律、規則、規例及規範聲明；
- (ii) comply to the best of my ability with the provisions of the issuer’s articles of association (including all provisions regarding the duties of directors) and cause the issuer to act at all times in accordance with its articles of association;
盡力遵守發行人的公司章程的規定 (包括有關董事職責的一切規定)，並促使發行人在任何時候均按照其公司章程而行事；
- (iii) use my best endeavours to cause the issuer to comply with the GEM Listing Rules;
盡力促使發行人遵守《創業板上市規則》；
- (iv) inform The Stock Exchange of Hong Kong Limited forthwith and in writing, at any time while I am a director of the issuer (or within 12 months of my ceasing to be a director of the issuer), of any administrative or governmental notice or proceeding alleging a breach by the issuer or any of its subsidiaries or directors of any applicable laws, rules, regulations or normative statements in force in the PRC relating to the governing, operation, conduct or regulation of public companies;
在本人擔任發行人的董事的任何期間 (或本人停止擔任發行人的董事後的十二個月內)，如有行政或政府部門的通知或涉及任何程序，指稱發行人或其任何附屬公司或董事，違反有關公眾公司的管轄、運作、行為或監管事宜而不時生效的任何適用的中國法律、規則、規例或規範聲明，立即通知並以書面通知香港聯合交易所有限公司；
- (v) comply to the best of my ability with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance, the Code on Takeovers and Mergers, the Code on Share Buy-backs and all other relevant securities laws and regulations from time to time in force in Hong Kong, and I shall use my best endeavours to procure the issuer to so comply; and
盡力遵守《公司條例》、《公司 (清盤及雜項條文) 條例》、《證券及期貨條例》、《公司收購及合併守則》、《公司股份回購守則》及香港所有其他不時生效的有關證券的法例與規例，本人並會盡力促使發行人遵守上述各項；及
- (vi) use my best endeavours to procure that any alternate of mine shall so comply;
盡力促使本人的任何替任人遵守上述各項；

- (b) I shall:
本人將：
- (i) provide to the Exchange as soon as possible, or otherwise in accordance with time limits imposed by the Exchange:
盡快或根據本交易所設定的時限向本交易所提供以下資料及文件：
- (1) any information and documents that the Exchange reasonably considers appropriate to protect investors or ensure the smooth operation of the market; and
本交易所合理地認為可保障投資者或確保市場運作暢順的任何資料及文件；及
- (2) any other information and documents or explanation that the Exchange may reasonably require for the purpose of verifying compliance with the GEM Listing Rules; and
本交易所可為核實是否有遵守《創業板上市規則》事宜而合理地要求的任何其他資料及文件或解釋；及
- (ii) cooperate in any investigation conducted by the Listing Division (as such term is defined in rule 1.01 of the GEM Listing Rules) and/or the GEM Listing Committee (as such term is defined in rule 1.01 of the GEM Listing Rules) of The Stock Exchange of Hong Kong Limited, including answering promptly and openly any questions addressed to me, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which I am requested to appear;
在香港聯合交易所有限公司上市科（按《創業板上市規則》第1.01條界定）及／或創業板上市委員會（按《創業板上市規則》第1.01條界定）所進行的任何調查中給予合作，包括及時及坦白地答覆向本人提出的任何問題，及時地提供任何有關文件的正本或副本，並出席任何本人被要求出席的會議或聽證會；
- (c) I hereby give my irrevocable authority to the Executive Director of the Listing Division, or to any person authorised by him, to disclose any of the foregoing particulars given by me to members of the GEM Listing Committee and, with the approval of the Chairman or a Deputy Chairman of The Stock Exchange of Hong Kong Limited, to such other persons, as the said Executive Director of the Listing Division may from time to time think fit;
本人茲授予上市科主管（或獲其授權的任何人士）不可撤回的權力，讓他將本人提供的上述資料向創業板上市委員會委員披露；並在香港聯合交易所有限公司主席或一位副主席批准的情況下，向上市科主管不時認為適當的其他人士披露；

- (d) I shall, for so long as I remain a director of the issuer and for a further period of 3 years from the date on which I cease to be a director of the issuer, inform The Stock Exchange of Hong Kong Limited, by notice in writing to the Executive Director of the Listing Division, of any change to my contact address for correspondence from and service of notices and other documents by The Stock Exchange of Hong Kong Limited as soon as reasonably practicable and in any event within 28 days of such change. I acknowledge and agree that a document or notice, for whatever purposes, including but not limited to the service of notice of disciplinary proceedings, shall be deemed to have been validly and adequately served on me by The Stock Exchange of Hong Kong Limited when the document or notice is served personally on me or is sent by post or facsimile to the address I provide to The Stock Exchange of Hong Kong Limited. I agree and acknowledge that I am responsible for keeping The Stock Exchange of Hong Kong Limited informed of my up-to-date contact address. I acknowledge that, if I fail to provide The Stock Exchange of Hong Kong Limited with my up-to-date contact address or arrange for notices, documents or correspondence to be forwarded to me, I may not be alerted to any proceedings commenced against me by The Stock Exchange of Hong Kong Limited; and

在本人出任發行人董事期間以至辭去發行人董事職務之日起計三年內，若本人用以接收香港聯合交易所有限公司發出的書信、送達的通知書及其他文件的聯絡地址有任何變動，本人將會在合理可行的情況下盡快及在任何情況下於有關變動出現後28日內，向上市科主管發出書面通知，知會香港聯合交易所有限公司有關變動。本人確認及同意，若有任何文件或通知（不論其目的，包括（但不限於）送達紀律程序的通知）以面交本人的方式，或以郵寄或傳真的方式送達本人向香港聯合交易所有限公司提供的地址，該文件或通知即被視為香港聯合交易所有限公司已有效及充分地送達本人。本人同意及確認，本人有責任向香港聯合交易所有限公司提供本人最新的聯絡地址。本人確認，若本人未能向香港聯合交易所有限公司提供本人最新的聯絡地址，或未有為送呈本人的通知、文件或書信提供轉送安排，本人可能會不知悉有關香港聯合交易所有限公司向本人展開的任何程序；及

- (e) I hereby submit to the jurisdiction of The Stock Exchange of Hong Kong Limited in respect of all matters relevant to the GEM Listing Rules.

本人在此接受香港聯合交易所有限公司就有關《創業板上市規則》各方面的管轄。

I, [Insert Chinese name, if any]:

本人 [請填上中文姓名(如有)]:

- (i) solemnly and sincerely declare that all particulars about me that appear in Part 1(1) of this Form B and in the document referred to in Part 1(2) of this Form B are true, complete and accurate, that I accept responsibility for the truthfulness, accuracy and completeness of the foregoing particulars, that I have not made any statements or omissions which would render such particulars untrue or misleading, that I understand the possible consequences of giving information which is false or misleading in a material particular including those as set forth in Note (1) hereto, and that I understand that The Stock Exchange of Hong Kong Limited may rely upon the foregoing particulars in assessing my suitability to act as a director of the issuer; and

謹以至誠鄭重聲明，在本B表格第一部分(1)及本B表格第一部分(2)所述文件所示有關本人的所有詳細資料均為真實、完整及準確，且本人對上述資料的真實性、準確性及完整性承擔責任，而本人亦無作出任何聲明或遺漏，致使有關資料不真實或具誤導性，本人亦明白在要項上提供虛假或具誤導性的資料可能引致的後果（包括本表格附註1所載內容）；本人並明白，香港聯合交易所有限公司或會倚賴上述資料來評估本人是否適合出任發行人董事；及

- (ii) undertake and acknowledge with The Stock Exchange of Hong Kong Limited in the terms set out in Part 2 of this Form B.

按本 B 表格第二部分所載的條款向香港聯合交易所有限公司作出承諾及確認。

Signature 簽署:

Name of director 董事姓名:

Hong Kong ID Card Number*:

香港身份證號碼* :

Dated 日期:

Certified as the true signature of

由以下人士證明上述簽署為 的真實簽署

By:

Signature (Secretary/Director)

簽署 (秘書／董事) :

Name (Secretary/Director)

姓名 (秘書／董事) :

* *In the case of a non-Hong Kong ID cardholder, state the passport number or any identification document number and name of issuing authority.*

如為非香港身份證持有人，請列明護照號碼或任何身份識別文件號碼，以及簽發機構名稱。

Part 3
第三部分

- (A) *If the issuer is a new applicant, the following sponsor's certification must be completed:—*
如發行人為新申請人，下列的保薦人證明亦須填報：

SPONSOR'S CERTIFICATION
保薦人證明

We,, are the sponsor for the issuer appointed on [Date] for the purpose referred to in GEM Listing Rule 6A.02 and have offices located at
We hereby certify that we have read the particulars provided by [Insert name of director] in and any document referred to in Part 1 (1) and (2) of this Form B and we are not aware of any information that would lead a reasonable person to inquire further concerning the truthfulness, completeness or accuracy of any of the particulars so provided.

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

Executed this day of, 20, in
本證明於20.年.月.日在.簽立。

(Signed簽署).

- (B) *The following solicitor's certification must be completed whenever this Form B is required to be lodged with The Stock Exchange of Hong Kong Limited:—*
按規定須向香港聯合交易所有限公司呈報本B表格的，均須填報下列律師證明：

SOLICITOR'S CERTIFICATION

律師證明

We, are a firm of solicitors qualified to advise on Hong Kong law with offices located at We hereby certify that we have explained all applicable requirements and procedures for completing and executing this Form B or the documents referred to in this Form B, and the possible consequences of making a false declaration or giving false information, to [Insert name of director]. Further, we hereby certify that [Insert name of director] has acknowledged to us that he/she understands the foregoing.

我們，.，為一家有資格就香港法律提供意見的律師行，辦事處設於.。我們茲證明，我們已向.〔填入董事的姓名〕解釋填報及簽立本B表格及本B表格所指的文件的所有適用規定和程序，以及作出虛假聲明或提供虛假信息所可能引致的後果。此外，我們茲證明.〔填入董事的姓名〕已向我們承認其了解上述各項。

Executed this day of, 20, in
本證明於 20年.月.日在.簽立。

(Signed簽署).

Notes: (1) *The failure of any person required to lodge this Form B to complete Part 1 of this Form B truthfully, completely and accurately, or the failure to execute Part 2 of this Form B or to observe any of the undertakings made under that Part, constitutes a breach of the GEM Listing Rules. In addition, every director of the issuer supplying information sought or referred to in this Form B, should note that such information constitutes information which is provided to the Exchange in purported compliance with a requirement to provide information under the "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance, Cap. 571) and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any information which is false or misleading in a material particular will render the relevant person liable for prosecution for an offence under section 384 of the Securities and Futures Ordinance. If you have any queries you should consult the Exchange or your professional adviser immediately.*

附註：

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

- (2) *To the extent that this form is required to be signed by the Sponsor, the Exchange expects that it would be signed by the Principal(s) who act(s) as the supervisor(s) of the Transaction Team (as defined in the SFC Sponsor Provisions) undertaking the listing assignment. However, notwithstanding who signs this form on behalf of the Sponsor, the Management (as defined in the SFC Sponsor Provisions) of the Sponsor will be ultimately responsible for supervision of the work carried out by the Sponsor firm and quality assurance in respect of that work. The Exchange reminds Sponsors of their obligations to have effective internal systems and controls and proper supervision and oversight including but not limited to those obligations under the SFC Sponsor Provisions.*

只要此表格是規定須由保薦人簽署，本交易所認為，此表格須由承擔有關上市工作的交易小組（定義見「證監會保薦人條文」）的監督的主事人簽署。不過，無論是誰代表保薦人簽署此表格，保薦人的管理層（定義見「證監會保薦人條文」）須就保薦人公司工作的監督及質素保證負有最終責任。本交易所提醒保薦人：其有責任設立有效的內部系統及監控，並作出妥善的監督及監管；有關責任包括但不限於「證監會保薦人條文」所載的責任。

Appendix 6 附錄六

DIRECTOR'S AND SUPERVISOR'S FORMS

董事及監事的表格

FORM C C 表格

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

監事的聲明、承諾及確認
(適用於在中華人民共和國(「中國」)註冊成立的發行人)

Part 1 第一部分

DECLARATION 聲明

1.	State:— 請填報：	in English 英文	in Chinese 中文
(a)	present surname and any former surname(s)* 現時姓氏及任何前度姓氏 *	.....	.....
(b)	alias, if any * 別名，如有 *	.....	.....
(c)	present forename(s) and any former forename(s)* 現時名字及任何前度名字 *	.....	.....
(d)	date of birth 出生日期	.....	.....
(e)	residential address 住址	.....	.....
(f)	nationality and former nationality, if any 國籍及前度國籍，如有	.....	.....
(g)	(i) Hong Kong ID card number 香港身份證號碼	.....	.....
	(ii) in the case of a non-Hong Kong ID cardholder, passport number or any identification document number and name of issuing authority 如為非香港身份證持有人，請列明護照號碼或 任何身份識別文件號碼，以及簽發機構名稱	.....	.....
(h)	name of issuer (i.e. the new applicant/listed issuer) 發行人(新申請人／上市發行人)名稱	.....	.....
*	As set out in the Hong Kong ID card, or any relevant identification document referred to in 1(g) above.		
*	香港身份證或上文 1(g) 所述的任何有關身份識別文件上所示者。		

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

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

(Tick as appropriate)

(請在適當方格內加上√號)

In the case of new applicant:

如屬新申請人：

- ☐ the listing document dated which has been duly registered with the Companies Registry.

日期為.年.月.日並已正式在公司註冊處登記的上市文件。

In the case of listed issuer:

如屬上市發行人：

- ☐ the announcement dated by the issuer as required under GEM Listing Rule 17.50(2) with regard to my appointment as a supervisor of the issuer.

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

Part 2
第二部分

UNDERTAKING AND ACKNOWLEDGEMENT
承諾及確認

The particulars referred to in this Part 2 are:—
此第二部分所述的資料為：

1. in the exercise of my powers and duties as a supervisor of
(Insert the name of the issuer) I, the undersigned, shall:
在行使 (填入發行人名字) 監事的權力及職責時，本人 (簽署人) 須：
 - (a) comply to the best of my ability with all applicable laws, rules, regulations and normative statements from time to time in force in the PRC relating to the responsibilities, duties and obligations of a supervisor in connection with the governing, operation, conduct or regulation of public companies in the PRC or elsewhere;
盡力遵守不時生效的所有關於監事對中國或其他地方的公眾公司的管轄、運作、行為或監管的責任、職責及義務的適用中國法律、規則、規例及規範聲明；
 - (b) comply to the best of my ability with the provisions of the issuer's articles of association (including all provisions regarding the duties of supervisors) and cause the issuer and its directors to act at all times in accordance with the issuer's articles of association;
盡力遵守發行人的公司章程的規定 (包括有關監事職責的一切規定)，並促使發行人及其董事在任何時候均按照發行人的公司章程而行事；
 - (c) use my best endeavours to cause the issuer and its directors to comply with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited from time to time in force (the "GEM Listing Rules"), the Code on Takeovers and Mergers, the Code on Share Buy-backs and all other relevant securities laws and regulations from time to time in force in Hong Kong;
盡力促使發行人及其董事遵守不時生效的《香港聯合交易所有限公司創業板證券上市規則》(《創業板上市規則》)、《公司收購及合併守則》、《公司股份回購守則》及香港所有其他不時生效的有關證券的法例及規例；
 - (d) inform The Stock Exchange of Hong Kong Limited forthwith and in writing, at any time while I am a supervisor of the issuer, of the initiation by the issuer's supervisory committee of legal proceedings against any director of the issuer;
在本人擔任發行人的監事的任何期間，如發行人的監事會對發行人的任何董事提出法律程序，立即通知及以書面通知香港聯合交易所有限公司；
 - (e) comply to the best of my ability, as if the same applied to me to the same extent as it does to directors of the issuer, with: (a) Parts XIVA and XV of the Securities and Futures Ordinance; (b) rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors; (c) the Code on Takeovers and Mergers; (d) the Code on Share Buy-backs; and (e) all other relevant securities laws and regulations from time to time in force in Hong Kong;
盡力遵守下列條例及規則，猶如該條例適用於本人，程度上如同其適用於公司董事般：(a)《證券及期貨條例》第XIVA及XV部；(b)《創業板上市規則》第5.46至5.67條有關董事進行證券交易的規定；(c)《公司收購及合併守則》；(d)《公司股份回購守則》；以及(e)香港所有其他不時生效的有關證券法例與規例；
 - (f) use my best endeavours to procure that any alternate of mine shall so comply;
盡力促使本人的任何替任人遵守上述各項；

- (g) I hereby give my irrevocable authority to the Executive Director of the Listing Division (as such term is defined in rule 1.01 of the GEM Listing Rules), or to any person authorized by him, to disclose any of the foregoing particulars given by me to members of the GEM Listing Committee (as such term is defined in rule 1.01 of the GEM Listing Rules) and, with the approval of the Chairman or a Deputy Chairman of The Stock Exchange of Hong Kong Limited, to such other persons, as the said Executive Director of the Listing Division may from time to time think fit; and

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

- (h) I will, for so long as I remain a supervisor of the issuer and for the further period of 3 years from the date on which I cease to be a supervisor of the issuer, inform the Stock Exchange of Hong Kong Limited, by notice in writing to the Executive Director of the Listing Division, of any change to my residential address as set out in Part 1 of this Form as soon as reasonably practicable and in any event within 1 month of my so changing residence for the purpose of facilitating correspondence with the Exchange; and

在本人擔任發行人監事期間及本人不再擔任發行人監事之日起計三年內,如本人於本表格第一部分所填報的住址有任何更改,本人會在合理可行的情況下盡快而無論如何於本人更改住址後一個月內,以書面通告形式通知上市科主管,以便與交易所進行函件往來;及

2. I acknowledge and agree that:—

本人承認及同意:

- (a) a document or notice shall be deemed to have been served on me by The Stock Exchange of Hong Kong Limited:—

由香港聯合交易所有限公司送交本人的文件或通告在以下情況被視作送達:

- (i) when it is served personally on me; or
專人送遞予本人;或
- (ii) by sending a copy of it by post or by facsimile to me at my usual or last known residential or business address or at the address notified by me in Part 1 of this Form or at the address notified by me in accordance with paragraph 1 (h) of Part 2 of this Form; or
以郵遞或傳真方式送交本人的慣常或最後為香港聯合交易所所知的住宅或營業地址,或由本人於本表格第一部分通知的地址,或由本人根據本表格第二部分1(h)段通知的地址;或
- (iii) if there is a letter box for the address in question, by inserting through the letter box a copy of the document or notice enclosed in a sealed envelope addressed to me;
如有關地址設有信箱,把內附該文件或通告的密封信封(而信封上又註明是致本人的)投入信箱內;

- (b) the date of service shall be deemed to be the second business day (or, in the case of an overseas address, the tenth business day) after the date on which the copy was sent to or, as the case may be, inserted through the letter box for the address in question; and

上述文件或通告被寄往該地址或(視乎情況而定)被投入該地址的信箱內的日期後的第二個營業日(或如屬海外地址,則第十個營業日)將被視為送達日期;及

- (c) as the case may be, in proving service it shall be sufficient to show that the envelope containing the notice was addressed to me at the address in question and had stamps or postage of sufficient value thereon to ensure that the same could be sent by post; and
要證明文件已被送達，只須證明載有該通告的信封乃寄致本人收啟，且被寄往有關地址及貼有足夠郵票或已付上足夠郵資以確保可用郵遞寄出；及
- (d) for the avoidance of doubt, in the event I change my residential or business address and fail to inform The Stock Exchange of Hong Kong Limited of any new address pursuant to paragraph 1 (h) of Part 2 of this Form, any document or notice served upon me at my former residential address or business address in accordance with this paragraph shall nevertheless be deemed to have been validly served upon me for all purposes.
為釋疑起見，倘若本人更改本人的住宅或營業地址而並未根據本表格第二部分 1(h) 段通知香港聯合交易所有限公司本人的新地址，則根據本段送往本人前度住址或營業地址的任何文件或通告，就各方面而言仍將被視作有效送達本人論。

I hereby submit to the jurisdiction of The Stock Exchange of Hong Kong Limited in respect of all matters relevant to the GEM Listing Rules.

本人在此接受香港聯合交易所有限公司就有關《創業板上市規則》各方面的管轄。

I, [Insert Chinese name, if any]:

本人. [請填上中文姓名(如有)]:

- (i) solemnly and sincerely declare that all particulars about me that appear in Part 1(1) of this Form C and in the document referred to in Part 1(2) of this Form C are true, complete and accurate, that I accept responsibility for the truthfulness, accuracy and completeness of the foregoing particulars, that I have not made any statements or omissions which would render such particulars untrue or misleading, that I understand the possible consequences of giving information which is false or misleading in a material particular including those as set forth in Note hereto, and that I understand that The Stock Exchange of Hong Kong Limited may rely upon the foregoing particulars in assessing my suitability to act as a supervisor of the issuer; and
謹以至誠鄭重聲明，在本C表格第一部分(1)及本C表格第一部分(2)所述文件所示有關本人的所有詳細資料均為真實、完整及準確，且本人對上述資料的真實性、準確性及完整性承擔責任，而本人亦無作出任何聲明或遺漏，致使有關資料不真實或具誤導性，本人亦明白在要項上提供虛假或具誤導性的資料可能引致的後果(包括本表格附註所載內容)；本人並明白，香港聯合交易所有限公司或會倚賴上述資料來評估本人是否適合出任發行人監事；及

- (ii) undertake and acknowledge with The Stock Exchange of Hong Kong Limited in the terms set out in Part 2 of this Form C.

按本 C 表格第二部分所載的條款向香港聯合交易所有限公司作出承諾及確認。

Signature 簽署:

Name of supervisor 監事姓名:

Hong Kong ID Card Number*:

香港身份證號碼*:

Dated 日期:

Certified as the true signature of

由以下人士證明上述簽署為 的真實簽署

By:

Signature (Secretary/Director)

簽署 (秘書／董事):

Name (Secretary/Director)

姓名 (秘書／董事):

* In the case of a non-Hong Kong ID cardholder, state the passport number or any identification document number and name of issuing authority.

如為非香港身份證持有人，請列明護照號碼或任何身份識別文件號碼，以及簽發機構名稱。

Note: The failure of any person required to lodge this Form C to complete Part 1 of this Form C truthfully, completely and accurately, or the failure to execute Part 2 of this Form C or to observe any of the undertakings made under that Part, constitutes a breach of the GEM Listing Rules. In addition, every supervisor of the issuer supplying information sought or referred to in this Form C, should note that such information constitutes information which is provided to the Exchange in purported compliance with a requirement to provide information under the "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance, Cap. 571) and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any information which is false or misleading in a material particular will render the relevant person liable for prosecution for an offence under section 384 of the Securities and Futures Ordinance. If you have any queries you should consult the Exchange or your professional adviser immediately.

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

Appendix 7

SPONSOR'S FORMS

FORM A

Application Form

[Repealed 1 January 2007]

Appendix 7

SPONSOR'S FORMS

FORM B

Declaration by principal supervisor

[Repealed 1 January 2007]

Appendix 7

SPONSOR'S FORMS

FORM C

Declaration by assistant supervisor

[Repealed 1 January 2007]

Appendix 7

SPONSOR'S FORMS

FORM D

Review Form for Continuing Eligibility

[Repealed 1 January 2007]

Appendix 7

SPONSOR'S FORMS

FORM E

Review Form for Principal Supervisor

[Repealed 1 January 2007]

Appendix 7

SPONSOR'S FORMS

FORM F

Review Form for Assistant Supervisor

[Repealed 1 January 2007]

Appendix 7

SPONSOR'S FORMS

FORM G

Sponsor's Declaration in support of a New Applicant

To: The Listing Division
The Stock Exchange of Hong Kong Limited

. / /

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

Under rule 6A.13 we declare to The Stock Exchange of Hong Kong Limited (the "Exchange") that:

- (1) all of the documents required by the GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Code on Takeovers and Mergers (where applicable) to be submitted to the Exchange on or before the date of issue of the Company's listing document and in connection with the Company's listing application have been submitted;
- (2) having made reasonable due diligence inquiries, we have reasonable grounds to believe and do believe that:
 - (a) [Repealed 1 January 2009]
 - (b) the Company is in compliance with all the conditions in Chapter 11 of the GEM Listing Rules (except to the extent that compliance with those rules has been waived by the Exchange in writing);
 - (c) the Company's listing document contains sufficient particulars and information to enable a reasonable person to form as a result thereof a valid and justifiable opinion of the shares, the financial condition and profitability of the Company at the time of the issue of the listing document;
 - (d) the information in the non-expert sections of the listing document:
 - (i) contains all information required by relevant legislation and rules;
 - (ii) is true, accurate and complete in all material respects and not misleading or deceptive in any material respect, or, to the extent it consists of opinions or forward looking statements by the Company's directors or any other person, such opinions or forward looking statements have been made after due and careful consideration and on bases and assumptions that are fair and reasonable; and
 - (iii) does not omit any matters or facts the omission of which would make any information in the non-expert sections of a listing document or any other part of the listing document misleading in a material respect;

- (e) the Company has established procedures, systems and controls (including accounting and management systems) which are adequate having regard to the obligations of the Company and its directors under the GEM Listing Rules and other relevant legal and regulatory requirements (in particular rules 17.10, 17.11, 18.03, 18.49 and 18.53 to 18.64 and Chapters 19 and 20, and Part XIVA of the Securities and Futures Ordinance) and which provide a reasonable basis to enable the Company's directors to make a proper assessment of the financial position and prospects of the Company and its subsidiaries, both immediately before and after listing;
 - (f) the Company's directors collectively have the experience, qualifications and competence to manage the Company's business and comply with the GEM Listing Rules, and individually have the experience, qualifications and competence to perform their individual roles, including an understanding of the nature of their obligations and those of the Company as an issuer under the GEM Listing Rules and other legal or regulatory requirements relevant to their role; and
 - (g) there are no other material issues bearing on the Company's application for listing of and permission to deal in its securities which, in our opinion, should be disclosed to the Exchange;
- (3) in relation to each expert section in the listing document, having made reasonable due diligence inquiries, we have reasonable grounds to believe and do believe (to the standard reasonably expected of a Sponsor which is not itself expert in the matters dealt with in the relevant expert section) that:
- (a) where the expert does not conduct its own verification of any material factual information on which the expert is relying for the purposes of any part of the expert section, such factual information is true in all material respects and does not omit any material information. Factual information includes:
 - (i) factual information that the expert states it is relying on;
 - (ii) factual information we believe the expert is relying on; and
 - (iii) any supporting or supplementary information given by the expert or the Company to the Exchange relating to an expert section;
 - (b) all material bases and assumptions on which the expert sections of the listing document are founded are fair, reasonable and complete;
 - (c) the expert is appropriately qualified, experienced and sufficiently resourced to give the relevant opinion;
 - (d) the expert's scope of work is appropriate to the opinion given and the opinion required to be given in the circumstances (where the scope of work is not set by a relevant professional body);
 - (e) the expert is independent from the Company and its directors and controlling shareholder(s); and

- (f) the listing document fairly represents the views of the expert and contains a fair copy of or extract from the expert's report; and
- (4) in relation to the information in the expert reports, we, as a non-expert, after performing reasonable due diligence inquiries, have no reasonable grounds to believe and do not believe that the information in the expert reports is untrue, misleading or contains any material omissions.

Signed:

Name:

For and on behalf of: [insert the name of Sponsor]

Dated:

NOTES:

- (1) *The Exchange expects that this form would be signed by the Principal(s) who act(s) as the supervisor(s) of the Transaction Team (as defined in the SFC Sponsor Provisions) undertaking the listing assignment. However, notwithstanding who signs this form on behalf of the Sponsor, the Management (as defined in the SFC Sponsor Provisions) of the Sponsor will be ultimately responsible for supervision of the work carried out by the Sponsor firm and quality assurance in respect of that work. The Exchange reminds Sponsors of their obligations to have effective internal systems and controls and proper supervision and oversight including but not limited to those obligations under the SFC Sponsor Provisions.*
- (2) *Each and every director of the Sponsor, and any officer or representative of the Sponsor supplying information sought in this form, should note that this form constitutes a record or document which is to be provided to the Exchange in connection with the performance of its functions under "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571) as amended from time to time) and is likely to be relied upon by the Exchange. Therefore, you should be aware that giving to the Exchange any record or document which is false or misleading in a material particular will render relevant persons liable for prosecution for an offence under subsection 384(3) of the Securities and Futures Ordinance (Cap 571) as amended from time to time. If you have any queries you should consult the Exchange or your professional adviser immediately.*

Appendix 7

SPONSOR'S FORMS

FORM H

Compliance Adviser's Declaration of Interests

This declaration must be lodged, duly completed, at the time a new applicant or a listed issuer submits its listing application.

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... / /

Dear Sirs,

Re:
(state name of issuer) (the "Issuer")

We,, the Compliance Adviser of the above-named Issuer hereby confirm that:

- (1) neither ourselves nor our close associates have or may, as a result of the listing or transaction, have any interest in any class of securities of the Issuer, or any other company in the Issuer's group (including options or rights to subscribe such securities); (Note 2)
- (2) no director or employee of the Compliance Adviser who is involved in providing advice to the Issuer has or may, as a result of the listing or transaction, have any interest in any class of securities of the Issuer or any other 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 pursuant to an offer by way of public subscription made by the issuer);
- (3) neither ourselves nor our close associates expect to have accrued any material benefit 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; and

- (4) no director or employee of the Compliance Adviser has a directorship in the Issuer, or any other company in the Issuer's group, save as disclosed below (Note 2) (complete on a separate sheet if necessary):

Yours faithfully,

Signed:

Name:
(Principal)

for and on behalf of
Name of Compliance Adviser:

NOTES:

- (1) *This declaration must be read in conjunction with the full text of the GEM Listing Rules and the notes provided herein do not replace or limit the effect of the GEM Listing Rules.*
- (2) *Please refer to rule 6A.31 of the GEM Listing Rules for guidance. The Compliance Adviser must forward a copy of this form to the new applicant or listed issuer.*

Appendix 7

SPONSOR'S FORMS

FORM I

Sponsor's Declaration of Compliance concerning a New Applicant

This declaration must be lodged, duly completed, prior to the commencement of dealing of the securities of the new applicant.

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... / /

Dear Sirs,

Re: Sponsor's declaration of compliance concerning a new applicant

We, being Sponsor to
..... [Name of new applicant]
hereby declare to the best of our knowledge and belief, having made due and careful enquiries, that:—

(1) **Offers for Subscription and Offers for Sale**

The securities have been placed as follows:—

No. of allottees

No. of securities allotted

(2) **Placings**

The securities have been placed as follows:—

No. of allottees

No. of securities allotted

(3) At the time of listing there will be holders of the securities in the hands of the public (including those whose securities are held through CCASS).

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

- (5) All of the provisions of the GEM Listing Rules, insofar as applicable and required to be fulfilled prior to the grant of listing, have been complied with, and we confirm that we have complied with all of the requirements laid down in Chapter 6A of the GEM Listing Rules concerning the application for listing.

Yours faithfully,

Signed:
Name:
(Principal)
For and on behalf of
Name of Sponsor:

Note: *If there is more than one class of securities listed, appropriate adaptations of paragraphs 1, 2 and 3 of this declaration should be made.*

Appendix 7

SPONSOR'S FORMS

FORM J

Declaration in relation to certain Listing Documents issued by an Issuer

This declaration must, in the circumstances referred to in rule 6A.35 of the GEM Listing Rules, be lodged with The Stock Exchange of Hong Kong Limited (the "Exchange"), duly completed, prior to the issue of the listing document.

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... / /

Dear Sirs,

Re: (state name of issuer) (the "applicant")

We,, being financial adviser to the applicant, hereby confirm that:—

- (1) all the documents required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") to be submitted to the Exchange prior to issue of the listing document have been so submitted; and
- (2) we have satisfied ourselves, to the best of our 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 applicant 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 applicant have made sufficient enquiries so as to enable them to give the confirmations set out in the “responsibility statement” contained in the listing document.

Yours faithfully,

Signed:

Name:

(Principal)

Signed:

Name:

(Principal)

For and on behalf of

Name of Sponsor:

NOTES

- (1) *This declaration must be read in conjunction with the full text of the GEM Listing Rules and the notes provided herein do not replace or limit the effect of the GEM Listing Rules.*
- (2) *Where a listed issuer appoints, in connection with the issue, a party admitted to the Commission’s public register of licensed persons and registered institutions other than the Compliance Adviser appointed by the issuer for the purposes of rules 6A.19 and 6A.20, the newly appointed adviser is responsible for completing and lodging this form (see rule 6A.37).*

Appendix 7

SPONSOR'S FORMS

FORM K

Sponsor's undertaking and statement of independence

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... / /

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

- (1) undertake to The Stock Exchange of Hong Kong Limited (the "Exchange") that we shall:
 - (a) comply with the GEM Listing Rules from time to time in force and applicable to Sponsors;
 - (b) use reasonable endeavours to ensure that all information provided to the Exchange and the Securities and Futures Commission (the "Commission") during the Company's listing application process, or for that part of it as we continue to be engaged by the Company, is true, accurate, complete and not misleading in all material respects and, to the extent that we subsequently become aware of information that casts doubt on the truth, accuracy or completeness of information provided to the Exchange, we will promptly inform the Exchange and the Commission, as the case may be, of such information;
 - (c) cooperate in any investigation conducted or enquiry raised by the Listing Division, the GEM Listing Committee of the Exchange, and/or the Commission including answering promptly and openly any questions addressed to us, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which we are requested to appear;
 - (d) lodge with the Exchange, before dealings in the Company's securities commence, the declaration of compliance set out in Appendix 7I as referred to in rule 12.26(8) of the GEM Listing Rules;
 - (e) report to the Exchange in writing as soon as practicable when we become aware of any material information relating to the Company or its listing application which concerns non-compliance with the GEM Listing Rules or other legal or regulatory requirements relevant to the Company's listing (except as otherwise disclosed), or any change to the information relating to our independence. This obligation continues after we cease to be the Company's Sponsor, if the material information came to our knowledge whilst we were acting as the Sponsor; and
 - (f) report to the Exchange in writing of the reasons for ceasing to act as a Sponsor as soon as practicable when we cease to act for the Company before completion of its listing; and

(2) declare to the Exchange that as regards our relationship with the Company [clearly strike out whichever of the following does not apply]:

(a) we are and expect to be independent; [or]

(b) we are not or do not expect to be independent because:

[describe in some detail the circumstances that give rise to the lack of independence]

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Signed:

Name:

For and on behalf of: *[insert the name of Sponsor]*

Dated:

NOTE:

(1) *[Repealed 1 October 2013]*

(2) *Each and every director of the Sponsor, and any officer or representative of the Sponsor supplying information sought in this form, should note that this form constitutes a record or document which is to be provided to the Exchange in connection with the performance of its functions under "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571) as amended from time to time) and is likely to be relied upon by the Exchange. Therefore, you should be aware that giving to the Exchange any record or document which is false or misleading in a material particular will render relevant persons liable for prosecution for an offence under subsection 384(3) of the Securities and Futures Ordinance (Cap 571) as amended from time to time. If you have any queries you should consult the Exchange or your professional adviser immediately.*

Appendix 7

SPONSOR'S FORMS

FORM M

Compliance Adviser's undertaking

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... / /

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

Pursuant to rule 6A.21 we undertake with The Stock Exchange of Hong Kong Limited (the "Exchange") that we shall:

- (1) comply with the GEM Listing Rules from time to time in force and applicable to Compliance Advisers; and
- (2) cooperate in any investigation conducted by the Listing Division and/or the GEM Listing Committee of the Exchange, including answering promptly and openly any questions addressed to us, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which we are requested to appear.

Signature:

Name:

For and on behalf of: *[insert the name of Compliance Adviser]*

Dated:

Appendix 9

LISTING FEES, TRANSACTION LEVIES AND TRADING FEES ON NEW ISSUES AND BROKERAGE

1. Equity Securities

(1) Initial Listing Fee

- (a) In the case of an issue of equity securities by a new applicant, an initial listing fee shall be payable on the application for listing as follows:

<u>Monetary value of the equity securities to be listed (see sub-paragraph (c) below)</u>		<u>Initial listing fee</u>
	(HK\$M)	(HK\$)
Not exceeding	100	100,000
Not exceeding	1,000	150,000
Over	1,000	200,000

- (b) A new applicant shall pay the initial listing fee, in advance, at the same time as it submits its application form in accordance with rule 12.14. The initial listing fee is not refundable.
- (c) The initial listing fee should be calculated by reference to the proposed maximum value of the maximum number of equity securities to which the listing application relates.

Note: In the event that the listing ultimately relates to a lesser value of equity securities which, if known at the time of submitting the application form, would have resulted in the payment of a reduced initial listing fee (in accordance with the table referred to at 1(a) above) the Exchange shall offset the balance against future fees payable by the issuer. If, for any reason, there is a shortfall in the initial listing fee, this must be paid to the Exchange as soon as the actual value of the equity securities to be listed has been determined and in any event before dealings commence.

(2) Annual Listing Fee

- (a) In addition to the initial listing fee, an annual listing fee (payable in advance in one instalment), which shall be calculated by reference to the nominal value of the securities which are or are to be listed on the Exchange, shall be payable on each class of securities as follows:—
- (i) in the case of equity securities other than warrants, in accordance with the following scale:

<u>Nominal value of listed equity securities</u>		<u>Annual listing fee</u>
	(HK\$M)	(HK\$)
Not exceeding	100	100,000
Not exceeding	2,000	150,000
Over	2,000	200,000

Where an issuer has shares which have a nominal value of less than HK\$0.25 then, for the purposes of calculating the annual listing fee, the nominal value of each share shall be deemed to be HK\$0.25.

Notes:

1. *In the case of listed issuers whose shares cease to have a nominal value subsequent to their date of listing (the “no-par event”), the nominal value per share that was used to calculate the annual listing fees immediately before the no-par event (the “notional nominal value per share”) shall be used to calculate the annual listing fees from the no-par event. If an issuer conducts a subdivision of shares after the no-par event, the notional nominal value per share shall be adjusted accordingly, subject to a minimum of HK\$0.25 in accordance with paragraph 1(2)(a)(i) above (e.g. if an issuer conducts a 2-for-1 subdivision, and the notional nominal value per share was HK\$1, the nominal value per share used to calculate annual listing fees from the subdivision will be HK\$0.50).*
 2. *In the case of issuers whose shares have no nominal value on their date of listing, the nominal value per share shall be deemed to be HK\$0.25 in accordance with paragraph 1(2)(a)(i) above for calculating annual listing fees.*
- (ii) in the case of listed warrants, in accordance with the following scale:—

	<u>Total funds which would be raised on full exercise of the warrants</u>	<u>Annual listing fee</u>
	(HK\$M)	(HK\$)
Not exceeding	100	25,000
Not exceeding	2,000	50,000
Over	2,000	75,000

- (b) (i) Annual listing fees shall be payable in advance in one instalment. The fee shall be payable within 7 days of receiving a debit note or, in any event if earlier, and in the case of a new applicant, before dealings in the relevant securities commence. Annual listing fees shall not be refundable. Regardless of the day of the month on which the securities are listed, the annual listing fees will be calculated from the first day of that month and pro rata payment in respect of that month is not permitted.
- (ii) For the purpose of calculating the total amount payable for the year, the issuer should assume that there will be no change in the numbers upon which the fee is calculated for and throughout the year for which advance payment is being made.
- (iii) If an issuer withdraws its listing or is delisted, then regardless of the date on which the issuer withdraws its listing or is delisted, as the case may be, the annual listing fee paid will not be refundable.

- (iv) If an issuer transfers its listing from GEM to the Main Board during a term in respect of which the annual listing fee has been pre-paid, the portion pre-paid in respect of the remainder of the year in which the listing is transferred will be refunded. The amount to be refunded will be 1/12 of the total pre-payment for each full calendar month remaining in the 12-month period to which the pre-payment relates. Regardless of the day of the month on which the listing is transferred, the annual listing fee will not be refunded in respect of that month.
- (c) Where, after the making of any advance payment, there is a change in the numbers upon which the fee was calculated, the annual listing fee payable shall be adjusted with effect from the date of the change. If the change leads to a reduction in the annual listing fees payable in respect of the remainder of that year, the amount paid in advance in excess (calculated from the first day of the month immediately following the month in which the change occurred) will be reserved for offsetting any upward adjustment if any for the rest of that year. Any such excess unutilised for that year may be offset against any annual listing fees payable in the future and cannot be assigned for any other payment purpose or refunded to the issuer.
- (d) Where the change leads to an increase in the annual listing fees payable in respect of the remainder of that year, the excess payable in respect of the remainder of the year shall be paid in advance by the issuer, within 7 days of receiving a debit note or, in any event if earlier, before dealings in the relevant securities commence. The excess payable in respect of the rest of that year, shall be calculated from the first day of the month in which the change occurred.
- (e) For the purpose of calculating the annual listing fees, where the relevant securities are denominated in a foreign currency, such sum should be converted into Hong Kong currency at the exchange rate specified by the Exchange from time to time.

(3) Subsequent Issue Fee

- (a) Where a listed issuer makes a subsequent issue of equity securities, a subsequent issue fee shall be charged on the following scale:—

<u>Monetary value of the equity securities to be issued (see sub-paragraph (e) below)</u>		<u>Subsequent issue fee</u>
	(HK\$M)	(HK\$)
Not exceeding	5	5,000
	10	10,000
	100	25,000
	1,000	50,000
Over	1,000	75,000

- (b) This charge does not apply to the issue of securities on the exercise of options, warrants or conversion rights under convertible securities, the grant or issue of which have been approved by the Exchange, or to a capitalisation issue including the issue of securities under a scrip dividend scheme.
- (c) An issuer shall pay any subsequent issue fees at the time of submission of the application form in accordance with rule 12.17.
- (d) This charge does not apply to an issue of securities by an issuer which is being treated for all purposes as a new applicant and which is therefore subject to the payment of the initial listing fee in respect of that issue of securities.

- (e) The subsequent issue fee should be calculated by reference to the proposed maximum value of the maximum number of equity securities to which the listing application relates.

Notes: 1 In the event that the listing ultimately relates to a lesser value of equity securities which, if known at the time of submitting the application form, would have resulted in the payment of a reduced subsequent issue fee (in accordance with the table referred to at 3(a) above) the Exchange shall offset the balance against future fees payable by the issuer. If, for any reason, there is a shortfall in the subsequent issue fee, this must be paid to the Exchange as soon as the actual value of the equity securities to be listed has been determined and in any event before dealings commence.

2 In the event that the listing approval is not granted or the securities are not issued for whatever reason, the Exchange shall retain a fee equal to the higher of 20 per cent of the subsequent issue fee paid and HK\$5,000. The Exchange shall offset the balance against further fees payable by the issuer.

2. Debt Securities

- (1) In the case of a new listing of debt securities, whether by a new applicant or otherwise, the listing fee, payable in one single lump sum upon the application of the listing of such debt securities, shall be HK\$15,000.
- (2)
 - (a) In the case of an application in respect of a new listing, a continuance or an increase in size of a debt issuance programme, the listing fee payable upon the application of such listing, continuance or increase in size of such debt issuance programme shall be HK\$15,000.
 - (b) In the case of a listing of a new issue of debt securities under a debt issuance programme pursuant to 2(2)(a) above, the listing fees payable in one single lump sum upon the application of the listing of such debt securities shall be 50% of the listing fees payable under 2(1) above.
- (3) Apart from the fees specified in 2(a) and 2(b) above, no annual listing fee is payable for debt securities.

3. Transaction Levy on New Issues

- (1) A transaction levy shall be payable on each of the following transactions (in each case a "Qualifying Transaction"):
 - (a) the subscription and/or purchase of securities of a class new to listing;
 - (b) the subscription and/or purchase of securities of a class already listed under an offer made to the public by or on behalf of a listed issuer excluding a rights issue or open offer; and
 - (c) any other transaction in securities of a class new to listing which the Exchange deems appropriate.

Generally, any transaction involving debt securities will not be deemed to be a Qualifying Transaction, unless, in the opinion of the Exchange, such debt securities are not pure debt securities or are analogous to equity securities. The transaction levy on new issues will not be payable in the case of an introduction.

- (2) The transaction levy together with the investor compensation levy shall be calculated on an aggregated basis (rounded to the nearest cent) by applying the percentage rates as specified from time to time in the Securities and Futures (Levy) Order and the Securities and Futures (Investor Compensation – Levy) Rules to the total consideration payable to the issuer by a subscriber/purchaser for each security under the relevant Qualifying Transaction.
- (3)
 - (a) In the case of the subscription and/or purchase of securities, the transaction levy shall be payable by each of the issuer or vendor (as the case may be) and by the subscriber or purchaser (as the case may be).
 - (b) In the case of any other Qualifying Transaction, the transaction levy shall be payable as the Exchange shall direct.
- (4) Where the consideration under a Qualifying Transaction consists of or includes consideration other than cash, the value of the consideration on which the transaction levy is payable shall be determined by the Exchange whose decision shall be final and binding.
- (5) The transaction levy shall be paid to the Exchange before dealings commence in the relevant securities, in the manner determined by the Exchange from time to time.
- (6) The transaction levy so collected by the Exchange shall be paid to the Commission in accordance with section 394 of the Securities and Futures Ordinance.
- (7) In all cases it shall be the responsibility of the issuer whose securities are to be listed to ensure that the transaction levy is paid to the Exchange.

4. Trading fee on New Issues

- (1) A trading fee shall be payable on every Qualifying Transaction. Generally, any transaction involving debt securities will not be deemed to be a Qualifying Transaction, unless, in the opinion of the Exchange, such debt securities are not pure debt securities or are analogous to equity securities. The trading fee on new issues will not be payable in the case of an introduction.
- (2) The trading fee shall be calculated at the rate of 0.005 per cent. (rounded to the nearest cent) of the amount of the consideration payable to the issuer by a subscriber/purchaser for each security under the relevant Qualifying Transaction or such other rate determined by the Exchange from time to time.
- (3)
 - (a) In the case of the subscription and/or purchase of securities, the trading fee shall be payable by each of the issuer or vendor (as the case may be) and by the subscriber or purchaser (as the case may be).
 - (b) In the case of any other Qualifying Transaction, the trading fee shall be payable in the manner determined by the Exchange from time to time.
- (4) Where the consideration under a Qualifying Transaction consists of or includes consideration other than cash, the value of the consideration on which the trading fee is payable shall be determined by the Exchange whose decision shall be final and binding.
- (5) The trading fee shall be paid to the Exchange before dealings commence in the relevant securities, in the manner determined by the Exchange from time to time.
- (6) In all cases it shall be the responsibility of the issuer whose securities are to be listed to ensure that the trading fee is paid to the Exchange.

5. Sponsors

[Repealed 1 January 2007]

6. Brokerage

- (1) In respect of every Qualifying Transaction, brokerage will be payable by the person subscribing for or purchasing the securities at a rate of 1% of the subscription or purchase price.
- (2) In respect of every successful application for securities to be issued, sold or disposed of which bears, at the time when the application is lodged, the chop or in the case of electronic application instruction, the broker number of an Exchange Participant of the Exchange through whom such application is actually made or arranged, the brokerage paid by the applicant in respect of that application shall be passed on by the issuer to that Exchange Participant via electronic transfer to that Exchange Participant's bank account or by way of a cheque made payable to that Exchange Participant which shall be sent to the Exchange which will forward it to that Exchange Participant.
- (3) In respect of every successful application for securities to be issued, sold or disposed of which does not bear, at the time when the application is lodged, the chop or in the case of electronic application instruction, the broker number of an Exchange Participant of the Exchange and in respect of every successful preferential application the brokerage paid by the applicant in respect of the application shall be passed on by the issuer to the Exchange via electronic transfer to the Exchange's designated bank account or by way of a cheque made payable to the Exchange which will retain such amount.
- (4) Brokerage which would be payable in respect of any securities taken up by an underwriter or sub-underwriter in accordance with a normal underwriting or sub-underwriting agreement may be retained by such underwriter or sub-underwriter.

7. Transaction Levy on Offers for Sale

A listed issuer must notify the Exchange of every purchase and sale of its listed securities made under an offer for sale by or on behalf of a substantial shareholder. Every such purchase and sale is subject to the transaction levy payable to the Commission pursuant to section 394 of the Securities and Futures Ordinance. The transaction levy payable shall be paid to the Exchange by the issuer and the Exchange shall pay such amount to the Commission in accordance with that section.

8. Trading Fee on Offers for Sale

- (1) A trading fee shall be payable to the Exchange by the issuer on every purchase and sale of listed securities made under an offer for sale by or on behalf of a substantial shareholder.
- (2) The trading fee shall be calculated at the rate of 0.005 per cent. (rounded to the nearest cent) of the amount of the consideration and shall be payable by each of the vendor and the purchaser. The trading fee shall be payable in the manner determined by the Exchange from time to time.

9. System Charges

[Repealed 1 October 2009]

10. General

All fees or charges payable to the Exchange under this Appendix shall be net of all taxes, levies and duties. The Exchange reserves the right to revise any of the fees or charges prescribed above at any time, subject to the approval of the Commission pursuant to section 76 and section 24 of the Securities and Futures Ordinance. The Exchange may also at its sole discretion in any specific case reduce or waive the fees or charges prescribed above, except for the transaction levy on Qualifying Transactions in respect of which any reduction or waiver must be approved in writing by the Commission.

Appendix 10

MODEL FORMS OF FORMAL NOTICE

FORM A

For offers for sale or subscription

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.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

[XYZ Limited]
(Incorporated in [Hong Kong] under the [Companies Ordinance])

NEW ISSUE

of

[up to]

200,000,000 ordinary shares of 10 cents each

at

HK\$1.00 per share

on

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

[Underwritten by]

Lead Manager [and Sponsor]

ABC & Co.

Joint Managers

DEF & Co.

GHI & Co.

JKL & Co.

MNO & Co.

[Sponsor]

[RST & Co.]

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

Any Exchange Participant of The Stock Exchange of Hong Kong Limited

Application for the shares will only be considered on the basis of the listing document dated [. . . / . . . / . . .].

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

Dated [. . . / . . . / . . .].

This announcement and a copy of the listing document referred to above will remain on the GEM website, in the case of the announcement, on the "Latest Company Announcements" page for 7 days from the day of its posting.

Appendix 10

MODEL FORMS OF FORMAL NOTICE

FORM B

For introductions

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.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares.

[XYZ Limited]
(incorporated in [Hong Kong] under the [Companies Ordinance])

Notice of the INTRODUCTION
of the whole of the issued share capital
comprising 200,000,000 ordinary shares
of HK\$1.00 each

on

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

Financial Adviser [& Sponsor]

ABC & Co.

[Sponsor]

[DEF & Co.]

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

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

Dated [. . . / . . . / . . .].

This announcement and a copy of the listing document referred to above will remain on the GEM website, in the case of the announcement, on the "Latest Company Announcements" page for 7 days from the day of its posting.

Appendix 10

MODEL FORMS OF FORMAL NOTICE

FORM C

For placings

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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

[XYZ Limited]
(incorporated in [Hong Kong] under the [Companies Ordinance])

NOTICE OF LISTING BY WAY OF PLACING

on

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

[up to]

200,000,000 ordinary shares of HK\$1.00 each

of which [] are to be placed with

[] and [up to] [] are to be made available to members

of the general public

by

Lead Manager [and Sponsor]

ABC & Co.

Joint Managers

DEF & Co

GHI & Co.

JKL & Co.

MNO & Co.

[Sponsor]

[RST & Co.]

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

Application for the shares will only be considered on the basis of the listing document dated [. . . / . . . / . . .].

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

Dated [. . . / . . . / . . .].

This announcement and a copy of the listing document referred to above will remain on the GEM website, in the case of the announcement, on the “Latest Company Announcements” page for 7 days from the day of its posting.

Appendix 10

MODEL FORMS OF FORMAL NOTICE

FORM D

FOR DEBT ISSUES TO PROFESSIONAL INVESTORS ONLY

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.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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

[\$[AGGREGATE NOMINAL AMOUNT]

[ISSUER]

(incorporated in [Hong Kong] under the [Companies Ordinance])

[BONDS]/[NOTES]

[guaranteed by]

[GUARANTOR]

(incorporated in [Hong Kong] under the [Companies Ordinance])

Sponsor

[]

Lead Manager[s]

[]

Co-Managers

[]

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

Date: [. . . / . . . / . . .].

This announcement and a copy of the listing document referred to above will remain on the GEM website, in the case of the announcement, on the “Latest Company Announcements” page for 7 days from the day of its posting.

Appendix 11

ADDITIONAL REQUIREMENTS IN RESPECT OF CERTAIN JURISDICTIONS

PART A

BERMUDA

Section 1. Additional requirements for memorandum and bye-laws

Section 2. Modifications and additional requirements

Section 1

ADDITIONAL REQUIREMENTS FOR THE MEMORANDUM AND BYE-LAWS OF ISSUERS INCORPORATED OR OTHERWISE ESTABLISHED IN BERMUDA

(see rule 24.06(1))

In addition to the provisions of Appendix 3, the bye-laws of issuers incorporated or otherwise established in Bermuda must conform with the following provisions:—

1. As regards the memorandum and bye-laws

The memorandum and bye-laws must stipulate that they may not be changed without a special resolution, and the bye-laws shall define “special resolution” to mean a resolution passed by members holding three-fourths of the voting rights of those present and voting in person or by proxy at a meeting of members.

2. As regards class meetings

- (1) The bye-laws shall stipulate that for the purposes of section 47 of the Companies Act 1981 of Bermuda the specified proportion of the holders of shares of a particular class required to sanction a resolution passed at a separate meeting of those holders to approve a variation of class rights shall be members holding three-fourths of the voting rights of that class present and voting in person or by proxy at such meeting.
- (2) Where the issuer is permitted by Bermudian law so to do, the bye-laws shall provide that a proxy need not be a member of the issuer.

3. As regards notices of general meetings

The bye-laws shall stipulate that any annual general meeting must be called by notice of at least 21 days, and that any other general meeting (including an extraordinary general meeting) must be called by notice of at least 14 days.

Note: The articles of association may provide that issuers may convene a general meeting on shorter notice than required under this provision or the companies’ bye-laws if it is agreed:

- (a) *in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and*

- (b) *in any other case, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together representing at least 95% of the total voting rights at the meeting of all the members.*

4. As to accounts

- (1) The bye-laws shall require the issuer to keep proper books of account necessary to give a true and fair view of the issuer's affairs.
- (2) The bye-laws shall provide that accounts shall be laid before members at the annual general meeting which must be held in each year; not more than 15 months (or such longer period as the Exchange may authorise) may elapse between the date of one annual general meeting and the next.

5. As to directors

The bye-laws shall stipulate that the issuer in general meeting must approve the payment to any director or past director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the director is contractually entitled).

6. As to corporate representatives

The bye-laws shall provide that if a recognised clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance is a member of the company it may, to the extent permitted by law, authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the company or at any meeting of any class of members of the company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual shareholder of the company.

Section 2

MODIFICATIONS AND ADDITIONAL REQUIREMENTS

(see rules 24.09(2), (3) and (5)(a))

1. In the case of an introduction in the circumstances set out in rule 10.18(3):—
 - (1) the summary of the provisions of the constitutive documents of the overseas issuer, which is required by rule 24.09(2);
 - (2) the summary of the relevant regulatory provisions (statutory or otherwise) of the jurisdiction in which the overseas issuer is incorporated or otherwise established, which is required by rule 24.09(3); and
 - (3) the comparison between those constitutive documents and the listed Hong Kong issuer's existing articles of association, which is required by rule 24.09(5)(a),may be offered for inspection rather than set out in the listing document.

2. In such cases the details of the articles of association or equivalent document required to be set out in the listing document by paragraph 7 of Part A of Appendix 1 may be limited to a summary of the changes, if any, between the Hong Kong issuer's articles of association and the overseas issuer's proposed constitutive documents, in respect of each of the areas set out in that paragraph, provided that the summary also includes details of any differences or additional provisions in the proposed new constitutive documents which confer on directors of the overseas issuer any special powers, the exercise of which would affect the rights or interests of the shareholders.
3. The summary and, where relevant, comparison of the constitutive documents required by rules 24.09(2) and 24.09(5)(a), must be set out under the following headings and where any item is not applicable the words "not applicable" should be inserted under the relevant heading:—

(1) directors

- (a) power to allot and issue shares
 - (i) summary
 - (ii) differences
- (b) power to dispose of the overseas issuer's or any of its subsidiaries' assets
 - (i) summary
 - (ii) differences
- (c) compensation or payments for loss of office
 - (i) summary
 - (ii) differences
- (d) loans to directors
 - (i) summary
 - (ii) differences
- (e) giving of financial assistance to purchase the overseas issuer's or any of its subsidiaries' shares
 - (i) summary
 - (ii) differences
- (f) disclosure of interests in contracts with the overseas issuer or any of its subsidiaries
 - (i) summary
 - (ii) differences
- (g) remuneration
 - (i) summary
 - (ii) differences
- (h) retirement, appointment, removal
 - (i) summary
 - (ii) differences
- (i) borrowing powers
 - (i) summary
 - (ii) differences

- (2) alterations to constitutional documents
 - (i) summary
 - (ii) differences
- (3) variation of rights of existing shares or classes of shares
 - (i) summary
 - (ii) differences
- (4) special resolutions - majority required
 - (i) summary
 - (ii) differences
- (5) voting rights (generally and on a poll)
 - (i) summary
 - (ii) differences
- (6) requirements for annual general meetings
 - (i) summary
 - (ii) differences
- (7) accounts and audit
 - (i) summary
 - (ii) differences
- (8) notice of meetings and business to be conducted thereat
 - (i) summary
 - (ii) differences
- (9) transfer of shares
 - (i) summary
 - (ii) differences
- (10) power of overseas issuer to purchase its own shares
 - (i) summary
 - (ii) differences
- (11) power for any subsidiary of the overseas issuer to own shares in its parent
 - (i) summary
 - (ii) differences
- (12) dividends and other methods of distribution
 - (i) summary
 - (ii) differences
- (13) proxies
 - (i) summary
 - (ii) differences
- (14) calls on shares and forfeiture of shares
 - (i) summary
 - (ii) differences
- (15) inspection of register of members
 - (i) summary
 - (ii) differences

- (16) quorum for meetings and separate class meetings
 - (i) summary
 - (ii) differences
 - (17) rights of the minorities in relation to fraud or oppression thereof
 - (i) summary
 - (ii) differences
 - (18) procedures on liquidation
 - (i) summary
 - (ii) differences
 - (19) any other provisions material to the overseas issuer or the shareholders thereof.
4. The Exchange will require the formal application for listing to be accompanied by a copy of a letter to the overseas issuer from the overseas issuer's Hong Kong legal advisers confirming that they have reviewed the summaries of the relevant laws and the constitutive documents and that in their opinion, on the basis of the legal advice received from Bermudian lawyers, the listing document sets out or, in the case of an introduction in the circumstances set out in rule 10.18(3), the listing document and the documents offered for inspection together set out the material differences between Hong Kong law and the law of Bermuda and the provisions of the existing articles of the listed Hong Kong issuer and the proposed constitutive documents of the overseas issuer. The letter should also confirm that the constitutive documents contain provisions complying with the provisions of the GEM Listing Rules.

Additional Documents on Display

5. The requirements of Chapter 24 and this Appendix mean that in the case of an introduction in the circumstances set out in rule 10.18(3) the following additional documents must be offered for inspection:—
- (1) a summary of the relevant regulatory provisions (statutory or otherwise) of the country where the overseas issuer is incorporated or otherwise established together with a copy of all relevant statutes and/or regulations;
 - (2) a summary of the provisions of the proposed new constitutive documents of the overseas issuer and a comparison between the overseas issuer's constitutive documents and the constitutive documents of the listed Hong Kong issuer or issuers whose securities have been exchanged; and
 - (3) copies of the full valuation report in respect of any property valuations which are only summarised in the listing document (see rule 24.09(5)(e)).

Appendix 11

ADDITIONAL REQUIREMENTS IN RESPECT OF CERTAIN JURISDICTIONS

PART B

THE CAYMAN ISLANDS

Section 1. Additional requirements for memorandum and articles of association

Section 2. Modifications and additional requirements

Section 1

ADDITIONAL REQUIREMENTS FOR THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF ISSUERS INCORPORATED OR OTHERWISE ESTABLISHED IN THE CAYMAN ISLANDS

(see rule 24.06(1))

In addition to the provisions of Appendix 3, the articles of association of issuers incorporated or otherwise established in the Cayman Islands must conform with the following provisions:—

1. As regards the memorandum and articles of association

To the extent that the same is permissible under Cayman Islands law, the memorandum and articles of association must stipulate that they may not be changed without a special resolution, and the articles of association shall define “special resolution” to mean a resolution passed by members holding three-fourths of the voting rights of those present and voting in person or by proxy at a meeting of members.

2. As regards general meetings

- (1) The articles of association shall stipulate that if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied only with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. The articles of association shall provide that to every such separate general meeting the provisions of the articles of association relating to general meetings shall mutatis mutandis apply, but the articles of association may vary the quorum provisions relevant to any such meeting.
- (2) The articles of association shall provide that every member shall be entitled to appoint a proxy who need not necessarily be a member of the issuer and that every shareholder being a corporation shall be entitled to appoint a representative to attend any general meeting of the issuer and, where a corporation is so represented, it shall be treated as being present at any meeting in person.
- (3) [Repealed 1 January 2009]

3. As regards shareholders

- (1) The articles of association shall stipulate that any annual general meeting must be called by notice of at least 21 days, and that any other general meeting (including an extraordinary general meeting) must be called by notice of at least 14 days. The articles of association shall stipulate that the notice convening a meeting shall contain particulars of the resolutions to be considered at that meeting.

Note: The articles of association may provide that issuers may convene a general meeting on shorter notice than required under this provision or the companies' articles of association if it is agreed:

- (a) *in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and*
 - (b) *in any other case, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together representing at least 95% of the total voting rights at the meeting of all the members.*
- (2) The articles of association shall provide for the branch register of members in Hong Kong to be open for inspection by members but may permit the company to close the register in terms equivalent to section 632 of the Companies Ordinance.
- (3) The articles of association shall require an annual general meeting to be held in each year and shall provide that the audited accounts shall be sent to members at the same time as the notice of annual general meeting.

4. As to accounts

- (1) The articles of association shall require the issuer to keep proper books of account necessary to give a true and fair view of the issuer's affairs.
- (2) The articles of association shall provide that accounts shall be audited and shall be laid before members at the annual general meeting which must be held in each year; not more than 15 months (or such longer period as the Exchange may authorise) may elapse between the date of one annual general meeting and the next.

5. As to directors

- (1) The articles of association shall provide that directors may be removed at any time by ordinary resolution of the members.
- (2) The articles of association shall restrict the making of loans to directors and their close associates and shall import provisions at least equivalent to the provisions of Hong Kong law prevailing at the time of the adoption of the articles of association.
- (3) The articles of association shall contain provisions requiring the directors to declare their material interests in any contracts with the issuer at the earliest meeting of the board of directors of the issuer at which it is practicable for them to do so either specifically or by way of a general notice stating that, by reason of facts specified in the notice, they are to be regarded as interested in any contracts of a specified description which may subsequently be made by the issuer.
- (4) The articles of association shall stipulate that the issuer in general meeting must approve the payment to any director or past director of any sum by way of compensation for loss of office or as consideration or in connection with his retirement from office (not being a payment to which the director is contractually entitled).

6. As to corporate representatives

The articles of association shall provide that if a recognised clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance is a member of the company it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the company or at any meeting of any class of members of the company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual shareholder of the company.

Section 2

MODIFICATIONS AND ADDITIONAL REQUIREMENTS

(see rules 24.09(2), (3) and (5)(a))

1. In the case of an introduction in the circumstances set out in rule 10.18(3):—
 - (1) the summary of the provisions of the constitutive documents of the overseas issuer, which is required by rule 24.09(2);
 - (2) the summary of the relevant regulatory provisions (statutory or otherwise) of the jurisdiction in which the overseas issuer is incorporated or otherwise established, which is required by rule 24.09(3); and
 - (3) the comparison between those constitutive documents and the listed Hong Kong issuer's existing articles of association, which is required by rule 24.09(5)(a),may be offered for inspection rather than set out in the listing document.
2. In such cases the details of the articles of association or equivalent document required to be set out in the listing document by paragraph 7 of Part A of Appendix 1 may be limited to a summary of the changes, if any, between the Hong Kong issuer's articles of association and the overseas issuer's proposed constitutive documents, in respect of each of the areas set out in that paragraph, provided that the summary also includes details of any differences or additional provisions in the proposed new constitutive documents which confer on directors of the overseas issuer any special powers, the exercise of which would affect the rights or interests of the shareholders.
3. The summary and, where relevant, comparison of the constitutive documents required by rules 24.09(2) and 24.09(5)(a), must be set out under the following headings and where any item is not applicable the words "not applicable" should be inserted under the relevant heading:—
 - (1) directors
 - (a) power to allot and issue shares
 - (i) summary
 - (ii) differences
 - (b) power to dispose of the overseas issuer's or any of its subsidiaries' assets
 - (i) summary
 - (ii) differences

- (c) compensation or payments for loss of office
 - (i) summary
 - (ii) differences
- (d) loans to directors
 - (i) summary
 - (ii) differences
- (e) giving of financial assistance to purchase the overseas issuer's or any of its subsidiaries' shares
 - (i) summary
 - (ii) differences
- (f) disclosure of interests in contracts with the overseas issuer or any of its subsidiaries
 - (i) summary
 - (ii) differences
- (g) remuneration
 - (i) summary
 - (ii) differences
- (h) retirement, appointment, removal
 - (i) summary
 - (ii) differences
- (i) borrowing powers
 - (i) summary
 - (ii) differences
- (2) alterations to constitutional documents
 - (i) summary
 - (ii) differences
- (3) variation of rights of existing shares or classes of shares
 - (i) summary
 - (ii) differences
- (4) special resolutions - majority required
 - (i) summary
 - (ii) differences
- (5) voting rights (generally and on a poll)
 - (i) summary
 - (ii) differences
- (6) requirements for annual general meetings
 - (i) summary
 - (ii) differences

- (7) accounts and audit
 - (i) summary
 - (ii) differences
- (8) notice of meetings and business to be conducted thereat
 - (i) summary
 - (ii) differences
- (9) transfer of shares
 - (i) summary
 - (ii) differences
- (10) power of overseas issuer to purchase its own shares
 - (i) summary
 - (ii) differences
- (11) power for any subsidiary of the overseas issuer to own shares in its parent
 - (i) summary
 - (ii) differences
- (12) dividends and other methods of distribution
 - (i) summary
 - (ii) differences
- (13) proxies
 - (i) summary
 - (ii) differences
- (14) calls on shares and forfeiture of shares
 - (i) summary
 - (ii) differences
- (15) inspection of register of members
 - (i) summary
 - (ii) differences
- (16) quorum for meetings and separate class meetings
 - (i) summary
 - (ii) differences
- (17) rights of the minorities in relation to fraud or oppression thereof
 - (i) summary
 - (ii) differences

(18) procedures on liquidation

- (i) summary
- (ii) differences

(19) any other provisions material to the overseas issuer or the shareholders thereof.

4. The Exchange will require the formal application for listing to be accompanied by a copy of a letter to the overseas issuer from the overseas issuer's Hong Kong legal advisers confirming that they have reviewed the summaries of the relevant laws and the constitutive documents and that in their opinion, on the basis of the legal advice received from Cayman Islands lawyers, the listing document sets out or, in the case of an introduction in the circumstances set out in rule 10.18(3), the listing document and the documents offered for inspection together set out the material differences between Hong Kong law and the law of the Cayman Islands and the provisions of the existing articles of the listed Hong Kong issuer and the proposed constitutive documents of the overseas issuer. The letter should also confirm that the constitutive documents contain provisions complying with the provisions of the GEM Listing Rules.

Additional Documents on Display

5. The requirements of Chapter 24 and this Appendix mean that in the case of an introduction in the circumstances set out in rule 10.18(3) the following additional documents must be offered for inspection:—
- (1) a summary of the relevant regulatory provisions (statutory or otherwise) of the country where the overseas issuer is incorporated or otherwise established together with a copy of all relevant statutes and/or regulations;
 - (2) a summary of the provisions of the proposed new constitutive documents of the overseas issuer and a comparison between the overseas issuer's constitutive documents and the constitutive documents of the listed Hong Kong issuer or issuers whose securities have been exchanged; and
 - (3) copies of the full valuation report in respect of any property valuations which are only summarised in the listing document (see rule 24.09(5)(e)).

APPENDIX 11

ADDITIONAL REQUIREMENTS IN RESPECT OF CERTAIN JURISDICTIONS

Part C

THE PEOPLE'S REPUBLIC OF CHINA

Section 1. Additional required provisions for articles of association

Section 2. Modifications and additional requirements

Section 1

ADDITIONAL REQUIREMENTS FOR THE ARTICLES OF ASSOCIATION OF ISSUERS INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

(see rule 25.36)

In addition to the provisions of Appendix 3, the articles of association of issuers incorporated in the People's Republic of China must include:—

- (a) the Mandatory Provisions for Companies Listing Overseas set forth in Zheng Wei Fa (1994) No. 21 issued on 27 August 1994 by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System (the "Mandatory Provisions");
- (b) in addition to article 36 of the Mandatory Provisions, a provision to the effect that the part of the register of holders of overseas listed foreign shares relating to holders of shares listed on the Exchange shall be maintained in Hong Kong;
- (c) in addition to article 140 of the Mandatory Provisions, a provision to the effect that for its overseas listed foreign shares listed on the Exchange, the issuer shall appoint as receiving agents a company which is registered as a trust company under the Trustee Ordinance of Hong Kong;
- (d) in addition to article 104 of the Mandatory Provisions, provisions that set out the voting procedures of the supervisory committee and must include provisions to the following effect:—
 - (i) the election or removal of the chairman of the supervisory committee shall be decided by two-thirds or more of the supervisors; and
 - (ii) decisions of the supervisory committee shall be made by the affirmative vote of two-thirds or more of the supervisors;

(e) in addition to article 148 of the Mandatory Provisions, provisions that set out the procedures for the change, removal and resignation of auditors and must include provisions to the following effect:—

(i) Where a resolution at a general meeting of shareholders is passed to appoint as auditor a person other than an incumbent auditor, to fill a casual vacancy in the office of auditor, to reappoint as auditor a retiring auditor who was appointed by the board of directors to fill a casual vacancy, or to remove an auditor before the expiration of his term of office, the following provisions shall apply:—

(A) A copy of the proposal shall be sent before notice of meeting is given to the shareholders to the person proposed to be appointed or the auditor proposing to leave his post or the auditor who has left his post (leaving includes leaving by removal, resignation and retirement).

(B) If the auditor leaving his post makes representations in writing and requests their notification to the shareholders, the issuer shall (unless the representations are received too late):—

(x) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and

(y) send a copy of the representations to every shareholder entitled to notice of general meetings.

(C) If the auditor's representations are not sent under [article corresponding to (B) above] the auditor may (in addition to his right to be heard) require that the representations be read out at the meeting.

(D) An auditor who is leaving his post shall be entitled to attend:—

(x) the general meeting at which his term of office would otherwise have expired;

(y) any general meeting at which it is proposed to fill the vacancy caused by his removal; and

(z) any general meeting convened on his resignation;

and to receive all notices of, and other communications relating to, any such meeting, and to be heard at any such meeting which he attends on any part of the business of the meeting which concerns him as former auditor of the issuer.

(ii) An auditor may resign his office by depositing at the issuer's seat a notice in writing to that effect and containing:—

(A) a statement to the effect that there are no circumstances connected with his resignation which he considers should be brought to the notice of the shareholders or creditors of the issuer; or

(B) a statement of any such circumstances.

Any such notice shall terminate his office on the date on which it is deposited or on such later date as may be specified therein.

- (iii) Where a notice is deposited under [article corresponding to 1(e)(ii)], the issuer shall within 14 days send a copy of the notice to the competent authority. If the notice contained a statement under [article corresponding to 1(e)(ii)(B)], a copy of the notice shall also be sent to every person entitled to obtain a copy of the issuer's financial statements.
- (iv) Where the auditor's notice of resignation contains a statement under [article corresponding to 1(e)(ii)(B)], he may require the board of directors to convene an extraordinary general meeting of shareholders for the purpose of receiving an explanation of the circumstances connected with his resignation; and
- (f) a provision to the following effect:—

In addition to holders of other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed to be different classes of shareholders; provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances:—

- (i) where the issuer issues, upon approval by a special resolution of its shareholders in a general meeting, either separately or concurrently once every twelve months, not more than twenty per cent. of each of the existing issued domestic shares and overseas listed foreign shares of the issuer; or
- (ii) where the issuer's plan to issue domestic shares and overseas listed foreign shares on establishment is implemented within fifteen months from the date of approval by the China Securities Regulatory Commission or such other competent state council securities regulatory authority."

Section 2

MODIFICATIONS AND ADDITIONAL REQUIREMENTS

(see rule 25.20)

1. A summary of the constitutive documents required by rule 25.20(2) must be set out under the following headings and where any item is not applicable the words "not applicable" should be inserted under the relevant heading:—

- (1) directors
 - (a) power to allot and issue shares
 - (i) summary
 - (ii) differences
 - (b) power to dispose of the PRC issuer's or any of its subsidiaries' assets
 - (i) summary
 - (ii) differences
 - (c) compensation or payments for loss of office
 - (i) summary
 - (ii) differences

- (d) loans to directors
 - (i) summary
 - (ii) differences
- (e) giving of financial assistance to purchase the PRC issuer's or any of its subsidiaries' shares
 - (i) summary
 - (ii) differences
- (f) disclosure of interests in contracts with the PRC issuer or any of its subsidiaries
 - (i) summary
 - (ii) differences
- (g) remuneration
 - (i) summary
 - (ii) differences
- (h) retirement, appointment, removal
 - (i) summary
 - (ii) differences
- (i) borrowing powers
 - (i) summary
 - (ii) differences
- (2) alterations to constitutional documents
 - (i) summary
 - (ii) differences
- (3) variation of rights of existing shares or classes of shares
 - (i) summary
 - (ii) differences
- (4) special resolutions - majority required
 - (i) summary
 - (ii) differences
- (5) voting rights (generally and on a poll)
 - (i) summary
 - (ii) differences
- (6) requirements for annual general meetings
 - (i) summary
 - (ii) differences

- (7) accounts and audit
 - (i) summary
 - (ii) differences
- (8) notice of meetings and business to be conducted thereat
 - (i) summary
 - (ii) differences
- (9) transfer of shares
 - (i) summary
 - (ii) differences
- (10) power of the PRC issuer to purchase its own shares
 - (i) summary
 - (ii) differences
- (11) power of any subsidiary of the PRC issuer to own shares in its parent
 - (i) summary
 - (ii) differences
- (12) dividends and other methods of distribution
 - (i) summary
 - (ii) differences
- (13) proxies
 - (i) summary
 - (ii) differences
- (14) calls on shares and forfeiture of shares
 - (i) summary
 - (ii) differences
- (15) inspection of register of members
 - (i) summary
 - (ii) differences
- (16) quorum for meetings and separate class meetings
 - (i) summary
 - (ii) differences
- (17) rights of the minorities in relation to fraud or oppression thereof
 - (i) summary
 - (ii) differences

(18) procedures on liquidation

- (i) summary
- (ii) differences

(19) any other provisions material to the PRC issuer or the shareholders thereof.

2. The Exchange will require the formal application for listing to be accompanied by a copy of a letter to the PRC issuer from the PRC issuer's Hong Kong legal advisers confirming that they have reviewed the summaries of the relevant PRC law and the constitutive documents and that in their opinion, on the basis of the legal advice received from qualified PRC lawyers, the listing document sets out the material differences between Hong Kong law and applicable PRC law. The letter should also confirm that the constitutive documents contain provisions complying with the provisions of the GEM Listing Rules.

Appendix 12

Securities and Futures (Stock Market Listing) Rules

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SECURITIES AND FUTURES (STOCK MARKET LISTING) RULES

(Made by the Securities and Futures Commission under section 36(1) of the
Securities and Futures Ordinance (Cap.571) after consultation with the
Financial Secretary and The Stock Exchange of Hong Kong Limited)

PART I

PRELIMINARY

Commencement

1. These Rules shall come into operation on the day appointed for the commencement of the Securities and Futures Ordinance (Cap.571).

Interpretation

2. In these Rules, unless the context otherwise requires —

“applicant” (申請人) means a corporation or other body which has submitted an application under section 3;

“application” (申請) means an application submitted under section 3 and all documents in support of or in connection with the application including any replacement of and amendment and supplement to the application;

“approved share registrar” (認可股份登記員) means a share registrar who is a member of an association of persons approved by the Commission under section 12;

“issuer” (發行人) means a corporation or other body the securities of which are listed, or proposed to be listed, on a recognized stock market;

“share registrar” (股份登記員) means any person who maintains in Hong Kong the register of members of a corporation the securities of which are listed, or proposed to be listed, on a recognized stock market.

PART II

STOCK MARKET LISTING

Requirements for listing applications

- 3.** An application for the listing of any securities issued or to be issued by the applicant shall —
- (a) comply with the rules and requirements of the recognized exchange company to which the application is submitted (except to the extent that compliance is waived or not required by the recognized exchange company);
 - (b) comply with any provision of law applicable; and
 - (c) contain such particulars and information which, having regard to the particular nature of the applicant and the securities, is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities and financial position, of the applicant at the time of the application and its profits and losses and of the rights attaching to the securities.

Exemptions from sections 3 and 5

- 4.** Sections 3 and 5 do not apply to the listing of any —
- (a) securities issued or allotted —
 - (i) by a capitalization issue pro rata (apart from fractional entitlements) to existing shareholders, whether or not they are shareholders whose addresses registered in the books of the corporation are in a place outside Hong Kong and to whom the securities are not actually issued or allotted because of restrictions imposed by legislation of that place; or
 - (ii) pursuant to a scrip dividend scheme which has been approved by the corporation in general meeting;
 - (b) securities offered on a pre-emptive basis, pro rata (apart from fractional entitlements) to existing holdings, to holders of the relevant class of shares in the corporation, whether or not they are shareholders whose addresses registered in the books of the corporation are in a place outside Hong Kong and to whom the securities are not actually offered because of restrictions imposed by legislation of that place;
 - (c) shares issued in substitution for shares listed on a recognized stock market, if the issue of the shares does not involve any increase in the issued share capital of the corporation;
 - (d) shares issued or allotted pursuant to the exercise of options granted to existing employees as part of their remuneration under a scheme approved by the shareholders of the corporation in a general meeting.

Copy of application to be filed with the Commission

5. (1) An applicant shall file a copy of its application with the Commission within one business day after the day on which the application is submitted to a recognized exchange company.
- (2) An applicant is regarded as having complied with subsection (1) on the day it submits the application to a recognized exchange company if, prior to or at the time of submitting the application to the recognized exchange company, the applicant has authorized the recognized exchange company in writing to file the application with the Commission on its behalf.

Powers of the Commission to require further information and to object to listing

6. (1) Subject to subsection (8), the Commission may, by notice to an applicant and a recognized exchange company given within 10 business days from the date the applicant files a copy of its application with the Commission (or if there is more than one such date, the latest date), require the applicant to supply to the Commission such further information as the Commission may reasonably require for the performance of its functions under these Rules.
- (2) The Commission may, within the period specified in subsection (6), by notice to an applicant and a recognized exchange company, object to a listing of any securities to which an application relates if it appears to the Commission that —
- (a) the application does not comply with a requirement under section 3;
 - (b) the application is false or misleading as to a material fact or is false or misleading through the omission of a material fact;
 - (c) the applicant has failed to comply with a requirement under subsection (1) or, in purported compliance with the requirement has furnished the Commission with information which is false or misleading in any material particular; or
 - (d) it would not be in the interest of the investing public or in the public interest for the securities to be listed.
- (3) The Commission may, within the period specified in subsection (6), notify an applicant and a recognized exchange company that —
- (a) it does not object to the listing of any securities to which an application relates; or
 - (b) it does not object to the listing of any securities to which an application relates subject to such conditions as the Commission may think fit to impose.
- (4) A recognized exchange company may list the securities to which an application relates only if —
- (a) the Commission has not, within the period specified in subsection (6), given a notice in relation to the application under subsection (2) or (3)(b);
 - (b) the Commission has given a notice in relation to the application under subsection (3)(a); or
 - (c) the conditions referred to in subsection (3)(b) in relation to the application have been complied with.

- (5) Where the Commission objects to a listing under subsection (2) or imposes any condition under subsection (3)(b), the objection or imposition shall take effect immediately.
- (6) The period specified for the purposes of subsections (2), (3) and (4) is 10 business days —
 - (a) where the Commission has not given a notice under subsection (1) in relation to the application, from the date the applicant files a copy of the application with the Commission (or if there is more than one such date, the latest date); or
 - (b) where the Commission has given a notice under subsection (1) in relation to the application, from the date when the further information is supplied.
- (7) A notice given under subsection (2) shall be accompanied by a statement specifying the reasons for the objection.
- (8) The Commission shall not give any notice to an applicant under subsection (1) after —
 - (a) it has given a notice in relation to the application under subsection (3)(a); or
 - (b) the conditions referred to in subsection (3)(b) in relation to the application have been complied with.

Copy of ongoing disclosure materials to be filed with the Commission

- 7. (1) An issuer shall file with the Commission a copy of any announcement, statement, circular, or other document made or issued by it or on its behalf to the public or to a group of persons comprising members of the public (including its shareholders) —
 - (a) under the rules and requirements of a recognized exchange company or any provision of law applicable; or
 - (b) pursuant to the terms of any listing agreement between the issuer and a recognized exchange company under the rules of the recognized exchange company,

within one business day following the day on which such announcement, statement, circular or other document is made or issued.

- (2) A person shall file with the Commission a copy of any announcement, statement, circular or other document made or issued by the person or on his behalf to the public or to a group of persons comprising members of the public (including holders of the securities of an issuer) under any codes published by the Commission under section 399(2)(a) and (b) of the Ordinance within one business day following the day on which such announcement, statement, circular or other document is made or issued.
- (3) An issuer or a person is regarded as having complied with subsection (1) or (2) if the issuer or the person has —
 - (a) filed with the recognized exchange company concerned; and
 - (b) authorized the recognized exchange company in writing to file with the Commission on behalf of the issuer or the person, as the case may be,

a copy of the relevant announcement, statement, circular or other document.

PART III

SUSPENSION OF DEALINGS

Suspension of dealings in securities

8. (1) Where it appears to the Commission that —
- (a) any materially false, incomplete or misleading information has been included in any —
 - (i) document (including but not limited to any prospectus, circular, introduction document and document containing proposals for an arrangement or reconstruction of a corporation) issued in connection with a listing of securities on a recognized stock market; or
 - (ii) announcement, statement, circular or other document made or issued by or on behalf of an issuer in connection with its affairs;
 - (b) it is necessary or expedient in the interest of maintaining an orderly and fair market in securities traded through the facilities of a recognized exchange company on the recognized stock market it operates;
 - (c) it is in the interest of the investing public or in the public interest, or it is appropriate for the protection of investors generally or for the protection of investors in any securities listed on a recognized stock market; or
 - (d) there has been a failure to comply with any condition imposed by the Commission under section 9(3)(c),

the Commission may, by notice to the recognized exchange company, direct the recognized exchange company to suspend all dealings in any securities specified in the notice.

- (2) The recognized exchange company shall comply with any notice given under subsection (1) without delay.

Powers of the Commission upon the suspension under this Part of dealings in any securities

9. (1) An issuer which is aggrieved by a direction given by the Commission under section 8 may make representations in writing to the Commission and where an issuer makes such representations, the Commission shall notify the recognized exchange company.
- (2) In respect of a direction given by the Commission under section 8, the recognized exchange company may make representations in writing to the Commission irrespective of whether representations in respect of that direction have been made by an issuer under subsection (1) and where the recognized exchange company makes such representations, the Commission shall notify the issuer.
- (3) Where the Commission has —
- (a) directed a recognized exchange company to suspend dealings in any securities under section 8(1); and
 - (b) considered any —
 - (i) representations made by the issuer under subsection (1);

- (ii) representations made by the recognized exchange company under subsection (2); and
- (iii) further representations made by the issuer or the recognized exchange company,

the Commission may, by notice to the recognized exchange company —

- (c) permit dealings in the securities to recommence subject to such conditions as the Commission may think fit to impose, being conditions of the nature specified in subsection (4); or
- (d) direct the recognized exchange company to cancel the listing of the securities on a recognized stock market operated by it if the Commission —
 - (i) is satisfied that there has been a failure to comply with any requirement in respect of listing set out in these Rules or in any other rules made under section 36 of the Ordinance; or
 - (ii) considers that the cancellation of the listing is necessary to maintain an orderly market in Hong Kong,

and the recognized exchange company shall comply with the direction without delay.

(4) The conditions which may be imposed under subsection (3)(c) are —

- (a) where the Commission has given a direction under section 8(1)(a) or (d), conditions imposed with the object of ensuring, so far as is reasonably practicable, that the issuer remedies the default by reason of which the suspension of dealings was directed;
- (b) where the Commission has given a direction under section 8(1)(b), such conditions as the Commission may consider necessary or expedient in the interest of maintaining an orderly and fair market in securities traded through the facilities of the recognized exchange company mentioned in that section;
- (c) where the Commission has given a direction under section 8(1)(c), such conditions as the Commission may consider to be in the interest of the investing public or in the public interest, or to be appropriate for the protection of investors generally or for the protection of the investors mentioned in that section.

(5) In subsection (3), “further representations” (進一步申述) means representations either in writing or orally or both in writing and orally as the issuer or the recognized exchange company may determine which are submitted within such reasonable time as the Commission may determine.

(6) The powers of the Commission under this section may only be exercised by a meeting of the Commission and are not delegable.

(7) A member of the Commission who made the decision in the exercise of the Commission’s powers under section 8 shall not participate in the deliberations or voting of the Commission in the performance of its functions under this section as regards that exercise of the Commission’s powers.

- (8) Notwithstanding subsection (7), the member of the Commission referred to in that subsection may attend any meeting or proceeding of the Commission in the performance of its functions under this section as regards the exercise of the Commission's powers under section 8 and may make such explanations of his decision as he thinks necessary.

Provisions supplementary to sections 8 and 9

10. (1) At any hearing held by the Commission to receive oral representations made to it under section 9(3)(b)(iii), the issuer and the recognized exchange company each have the right to be represented by its counsel or solicitor.
- (2) If representations are made under section 9(1) or (2) against a direction made under section 8(1) then, pending the decision of the Commission under section 9(3), all dealings in the securities concerned shall remain suspended.

Restriction on re-listing

11. No security the listing of which has been cancelled under section 9(3)(d) shall be listed again on a recognized stock market except in accordance with Part 2.

PART IV

APPROVED SHARE REGISTRARS

Approval of share registrars

12. (1) The Commission may approve an association of persons as an association each of whose members shall be an approved share registrar for the purposes of these Rules.
- (2) The Commission may cancel the approval of any association of persons approved under subsection (1).
- (3) The Commission shall maintain a list of associations of persons approved under subsection (1).

Securities not to be listed where approved share registrar not employed

13. No application made by a corporation to a recognized exchange company for the listing of any securities issued or to be issued by that applicant shall be approved by the recognized exchange company unless the applicant is an approved share registrar or employs an approved share registrar as its share registrar.

Suspension of dealings on cessation of employment, etc. of approved share registrar

14. (1) Where —
- (a) the securities of a corporation are listed on a recognized stock market; and
- (b) the corporation ceases either to be an approved share registrar or to employ an approved share registrar as its share registrar,

the recognized exchange company shall give the corporation a notice of its intention to suspend dealings in the securities of the corporation unless, before the date specified in the notice, being 3 months after the date on which the recognized exchange company first learned of such cessation or 21 days from the date of the notice, whichever is the later, the corporation becomes an approved share registrar or employs an approved share registrar as its share registrar.

- (2) Where the corporation fails to comply with the requirement stated in the notice given under subsection (1), the recognized exchange company shall suspend dealings in the securities of the corporation.
- (3) The Commission may require a recognized exchange company to give notice under subsection (1) to a corporation which has ceased either to be an approved share registrar or to employ an approved share registrar as its share registrar if, in the opinion of the Commission, the recognized exchange company has failed or neglected to do so within a reasonable time, and the recognized exchange company shall comply with the requirement without delay.
- (4) A recognized exchange company which has suspended dealings in the securities of any corporation under subsection (2) shall permit the recommencement of dealings in those securities when it is satisfied that the corporation has become an approved share registrar or has employed an approved share registrar as its share registrar.

Power to exempt

- 15.** (1) The Commission may exempt all or any particular class of securities issued by a corporation specified in a notice under subsection (2) from all or any of the provisions of this Part.
- (2) An exemption granted under subsection (1) shall be notified by the Commission to the corporation specified in the notice and to the recognized exchange company which operates the recognized stock market on which the exempted class of securities is, or is proposed to be, listed.
- (3) The Commission may withdraw any exemption granted under subsection (1), and the withdrawal shall be notified in the same manner as an exemption is required to be notified under subsection (2).
- (4) Where an exemption in respect of any securities of a corporation has been withdrawn under subsection (3), the recognized exchange company shall suspend dealings in those securities unless —
- (a) at the date of notification of the withdrawal, the corporation is an approved share registrar or employs an approved share registrar as its share registrar; or
 - (b) within 3 months after the date of notification of the withdrawal, the corporation becomes an approved share registrar or employs an approved share registrar as its share registrar.

Appeal against suspension

- 16.** (1) Where a recognized exchange company suspends dealings in the securities of a corporation under section 14 or 15(4) the corporation may, within 21 days of the suspension, appeal in writing to the Commission against the suspension.
- (2) An appeal under subsection (1) shall be accompanied by such submissions in writing as the corporation wishes to make.
- (3) On any appeal under subsection (1), the Commission may —
- (a) dismiss the appeal;
 - (b) direct the recognized exchange company to permit the recommencement of dealings in the securities; or

- (c) direct the recognized exchange company to permit the recommencement of dealings in the securities subject to such conditions as the Commission thinks fit.

PART V

MISCELLANEOUS

Waiver of requirements of Parts 2 and 3

- 17.** The Commission may, by notice to an applicant or an issuer and a recognized exchange company, modify or waive, subject to such reasonable conditions as the Commission may think fit to impose, any requirement of Parts 2 and 3 where the Commission is of the opinion that —
- (a) the applicant or issuer, as the case may be, cannot comply with the requirement or it would be unreasonable or unduly burdensome for the applicant or issuer to do so;
 - (b) the requirement has no relevance to the circumstances of the applicant or issuer, as the case may be; or
 - (c) compliance with the requirement would be detrimental to the commercial interests of the applicant or issuer, as the case may be, or to the interests of the holders of its securities.

Suspensions, etc. by a recognized exchange company to be notified to the Commission

- 18.** (1) If a recognized exchange company intends to suspend dealings in any securities it shall, where reasonably practicable, inform the Commission of its intention prior to such suspension or, if not so practicable, inform the Commission of the suspension as soon as possible after the suspension.
- (2) If a recognized exchange company, after having suspended dealings in any securities, intends to permit dealings in the securities to recommence, it shall, where reasonably practicable, inform the Commission of its intention to permit dealings to recommence or, if not so practicable, inform the Commission as soon as possible after permitting dealings to recommence.
- (3) A recognized exchange company shall not cancel the listing of any securities unless it gives the Commission at least 48 hours' notice of its intention to do so.
- (4) This section applies only to the suspension of dealings in any securities or the cancellation of dealings in any securities by a recognized exchange company other than in accordance with a direction of the Commission under section 8 or 9.

Notices, etc. to be in writing

- 19.** Any notice or direction under these Rules shall be in writing.

Transitional

- 20.** (1) Where —
- (a) before the commencement of these Rules, any power could have been, but was not, exercised under rule 9 or 10 of the Securities (Stock Exchange Listing) Rules (Cap.333 sub. leg.) which has been repealed under section 406 of the Ordinance ("the repealed Rules"); or

- (b) before such commencement any power has been exercised under any provision referred to in paragraph (a), and the exercise of the power would, but for the commencement, continue to have force and effect on or after such commencement,

then —

- (c)
 - (i) where paragraph (a) applies, the power may be exercised; or
 - (ii) where paragraph (b) applies, the exercise of the power shall continue to have force and effect,

as if the repealed Rules had not been repealed; and

- (d) the provisions of the repealed Rules shall continue to apply to the exercise of the power and to any matters relating thereto (including any right to make representations in respect of the exercise of the power under rule 9) as if the repealed Rules had not been repealed.
- (2) Subject to subsection (3), where before the commencement of these Rules, an application is made under rule 3 of the repealed Rules and immediately before such commencement the application has not been approved, refused or withdrawn, the application shall upon such commencement be treated as an application under section 3 and the provisions of these Rules (except section 3) shall apply accordingly.
 - (3) Section 5 shall apply only to any part of an application submitted on or after the commencement of these Rules.

Andrew Len Tao SHENG

*Chairman,
Securities and Futures Commission*

9 December 2002

Explanatory Note

These Rules are made by the Securities and Futures Commission under section 36(1) of the Securities and Futures Ordinance (Cap.571). The Rules —

- (a) prescribe certain requirements to be met before securities may be listed, including requirements for applications for the listing of securities and the employment of approved share registrars;
- (b) provide for the cancellation of the listing of securities if the requirements are not met;
- (c) prescribe the circumstances in which and the conditions subject to which a recognized exchange company shall suspend dealings in securities;
- (d) provide for the filing with the Commission of copies of applications for the listing of securities and information disclosed to the public by issuers and certain other persons; and
- (e) provide for other requirements to be complied with by a recognized exchange company.

Appendix 13

INDEPENDENT FINANCIAL ADVISER'S DECLARATION RELATING TO INDEPENDENCE

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

Pursuant to rule 17.97(1) we declare to The Stock Exchange of Hong Kong Limited that, pursuant to rule 17.96, the Firm is independent.

Signature:

Name:

For and on behalf of: [*insert the name of Firm*]

Dated:

NOTES:

- (1) *Independent financial advisers are reminded that rule 17.98 requires, amongst other things, that where an independent financial adviser becomes aware of a change to the information set out in this declaration, it must notify the Exchange as soon as possible upon that change occurring.*
- (2) *Each and every director of the Firm, and any officer or representative of the Firm supplying information sought in this form, should note that this form constitutes a record or document which is to be provided to the Exchange in connection with the performance of its functions under "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance, Cap 571) and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any record or document, which is false or misleading in a material particular, will render relevant persons liable for prosecution for an offence under subsection 384(3) of the Securities and Futures Ordinance. If you have any queries you should consult the Exchange or your professional adviser immediately.*

Appendix 14

INDEPENDENT FINANCIAL ADVISER'S UNDERTAKING

To: The Listing Division
The Stock Exchange of Hong Kong Limited

..... /

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

Pursuant to rule 17.97(2) we undertake with The Stock Exchange of Hong Kong Limited (the "Exchange") that we shall:

- (1) comply with the GEM Listing Rules from time to time in force; and
- (2) cooperate in any investigation conducted by the Listing Division and/or the GEM Listing Committee of the Exchange, including answering promptly and openly any questions addressed to us, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which we are requested to appear.

Signature:

Name:

For and on behalf of: *[insert name of independent financial adviser]*

Dated:

Appendix 15

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Code

This Code sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices.

Issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only. Issuers may also devise their own code on corporate governance on the terms they consider appropriate.

Issuers must state whether they have complied with the code provisions for the relevant accounting period in their half-year reports (and summary half-year reports, if any) and annual reports (and summary financial reports, if any).

Every issuer must carefully review each code provision and, where it deviates from any of them, it must give considered reasons:

- (a) in annual reports (and summary financial reports), in the Corporate Governance Report; and*
- (b) in half-year reports (and summary half-year reports), either:*
 - (i) by giving considered reasons for each deviation; or*
 - (ii) to the extent that it is reasonable and appropriate, by referring to the Corporate Governance Report in the preceding annual report, and providing details of any changes with considered reasons for any deviation not reported in that annual report. The references must be clear and unambiguous and the half-year report (or summary half-year report) must not contain only a cross-reference without any discussion of the matter.*

Issuers are encouraged, but not required, to state whether they have complied with the recommended best practices and give considered reasons for any deviation.

Corporate Governance Report

Issuers must include a Corporate Governance Report prepared by the board of directors in their summary financial reports (if any) under rule 18.81 and annual reports under rule 18.44. The Corporate Governance Report must contain all the information set out in Paragraphs G to Q of this Appendix. Any failure to do so will be regarded as a breach of the GEM Listing Rules.

To a reasonable and appropriate extent, the Corporate Governance Report included in an issuer's summary financial report may be a summary of the Corporate Governance Report contained in the annual report and may also incorporate information by reference to its annual report. The references must be clear and unambiguous and the summary must not only contain a cross-reference without any discussion of the matter. The summary must contain, as a minimum, a narrative statement indicating overall compliance with and highlighting any deviation from the code provisions.

Issuers are also encouraged to disclose information set out in Paragraphs R to T of this Appendix in their Corporate Governance Reports.

What is “comply or explain”?

1. *The Code sets out a number of “principles” followed by code provisions and recommended best practices. It is important to recognise that the code provisions and recommended best practices are not mandatory rules. The Exchange does not envisage a “one size fits all” approach. Deviations from code provisions are acceptable if the issuer considers there are more suitable ways for it to comply with the principles.*
2. *Therefore, the Code permits greater flexibility than the Rules, reflecting that it is impractical to define in detail the behaviour necessary from all issuers to achieve good corporate governance. To avoid “box ticking”, issuers must consider their own individual circumstances, the size and complexity of their operations and the nature of the risks and challenges they face. Where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons. However, the issuer must explain to its shareholders why good corporate governance was achieved by means other than strict compliance with the code provision.*
3. *Shareholders should not consider departures from code provisions and recommended best practices as breaches. They should carefully consider and evaluate explanations given by issuers in the “comply or explain” process, taking into account the purpose of good corporate governance.*
4. *An informed, constructive dialogue between issuers and shareholders is important to improving corporate governance.*

PRINCIPLES OF GOOD GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

A. DIRECTORS

A.1 The Board

Principle

An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

Code Provisions

- A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions.
- A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.

- A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given.
- A.1.4 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.
- A.1.5 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.
- A.1.6 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them perform their duties to the issuer.
- A.1.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

Note: Subject to the issuer's constitutional documents, and the law and regulations of its place of incorporation, a director's attendance by electronic means including telephonic or videoconferencing may be counted as attendance at a physical board meeting.

- A.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

A.2 Chairman and Chief Executive

Principle

There are two key aspects of the management of every issuer - the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provisions

- A.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.
- A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

- A.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.
- A.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.
- A.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- A.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.
- A.2.7 The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.
- A.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.
- A.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

A.3 Board composition

Principle

The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

Code Provisions

- A.3.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.
- A.3.2 An issuer should maintain on its website and on the GEM website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provisions

- A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.
- A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.
- A.4.3 Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.

A.5 Nomination Committee

Principle

In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under A.3 and A.4.

Code Provisions

- A. 5.1 Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.
- A. 5.2 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:–
 - (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
 - (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships;
 - (c) assess the independence of independent non-executive directors; and

- (d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A.5.3 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the GEM website and issuer's website.

A.5.4 Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.

A.5.5 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.

A.5.6 The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.

Note: Board diversity will differ according to the circumstances of each issuer. Diversity of board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. Each issuer should take into account its own business model and specific needs, and disclose the rationale for the factors it uses for this purpose.

A.6 Responsibilities of directors

Principle

Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Code Provisions

A.6.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary, to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

A.6.2 The functions of non-executive directors should include:

- (a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;

- (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and
 - (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.
- A.6.3 Every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so.
- A.6.4 The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities. "Relevant employee" includes any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to possess inside information in relation to the issuer or its securities.
- A.6.5 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.
- Note: Directors should provide a record of the training they received to the issuer.*
- A.6.6 Each director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.
- A.6.7 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.
- A.6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.

A.7 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Code Provisions

- A.7.1 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).

A.7.2 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management.

Note: In this Code, "senior management" refers to the same persons referred to in the issuer's annual report and required to be disclosed under rule 18.39.

A.7.3 All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive a prompt and full response, if possible.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.

Code Provisions

B.1.1 The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.

B.1.2 The remuneration committee's terms of reference should include, as a minimum:–

- (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;

(c) either:

- (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or
- (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (d) to make recommendations to the board on the remuneration of non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no director or any of his associates is involved in deciding his own remuneration.

B.1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the GEM website and the issuer's website.

B.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.

B.1.5 Issuers should disclose details of any remuneration payable to members of senior management by band in their annual reports.

Recommended Best Practices

B.1.6 If B.1.2(c)(ii) is adopted, where the board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the board should disclose the reasons for its resolution in its next Corporate Governance Report.

B.1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.

B.1.8 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.

B.1.9 The board should conduct a regular evaluation of its performance.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions

- C.1.1 Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.
- C.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 5.01 and Chapter 17.

Note: The information provided may include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained.

- C.1.3 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.

- C.1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.

Note: An issuer should have a corporate strategy and a long term business model. Long term financial performance as opposed to short term rewards should be a corporate governance objective. An issuer's board should not take undue risks to make short term gains at the expense of long term objectives.

- C.1.5 The board should present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the GEM Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.

C.2 Risk management and internal control

Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

Code Provisions

- C.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.
- C.2.2 The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.
- C.2.3 The board's annual review should, in particular, consider:
- (a) the changes, since the last annual review, in the nature and extent of significant risks, and the issuer's ability to respond to changes in its business and the external environment;
 - (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
 - (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management;

- (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and
- (e) the effectiveness of the issuer's processes for financial reporting and GEM Listing Rule compliance.

C.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:

- (a) the process used to identify, evaluate and manage significant risks;
- (b) the main features of the risk management and internal control systems;
- (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;
- (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
- (e) the procedures and internal controls for the handling and dissemination of inside information.

C.2.5 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

Notes:

- 1 *An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems.*
- 2 *A group with multiple listed issuers may share group resources to carry out the internal audit function for members of the group.*

Recommended Best Practices

C.2.6 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.

C.2.7 The board may disclose in the Corporate Governance Report details of any significant areas of concern.

C.3 Audit Committee

Principle

The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the GEM Listing Rules should have clear terms of reference.

Code Provisions

C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records within a reasonable time after the meeting.

C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is later.

C.3.3 The audit committee's terms of reference should include at least:–

Relationship with the issuer's auditors

- (a) to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the issuer's financial information

- (d) to monitor integrity of the issuer's financial statements and the annual report and accounts, half-year report and 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:–
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:–
 - (i) members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors; and
 - (ii) the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the issuer's financial reporting system, risk management and internal control systems

- (f) to review the issuer's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the issuer's risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness;

- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the board on the matters in this code provision; and
- (n) to consider other topics, as defined by the board.

Notes: These are only intended to be suggestions on how compliance with this code provision may be achieved and do not form part of it.

- 1 *The audit committee may wish to consider establishing the following procedure to review and monitor the independence of external auditors: -*
 - (i) *consider all relationships between the issuer and the audit firm (including non-audit services);*
 - (ii) *obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and*
 - (iii) *meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.*
- 2 *The audit committee may wish to consider agreeing with the board the issuer's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The audit committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgement or independence for the audit.*
- 3 *The audit committee should ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the audit committee may wish to consider:*
 - (i) *whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;*
 - (ii) *whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;*
 - (iii) *the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and*
 - (iv) *criteria for compensation of the individuals performing the audit.*

- 4 *For further guidance, issuers may refer to the “Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor’s Independence” issued by the Technical Committee of the International Organization of Securities Commissions in October 2002 and “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants in February 2002. Issuers may also adopt the terms of reference in those guides, or any other comparable terms of reference for establishing an audit committee.*

- C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the GEM website and the issuer’s website.
- C.3.5 Where the board disagrees with the audit committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view.
- C.3.6 The audit committee should be provided with sufficient resources to perform its duties.
- C.3.7 The terms of reference of the audit committee should also require it:
- (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
 - (b) to act as the key representative body for overseeing the issuer’s relations with the external auditor.

Recommended Best Practice

- C.3.8 The audit committee should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the issuer.

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

Code Provisions

D.1.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf.

Note: The board should not delegate matters to a board committee, executive directors or management to an extent that would significantly hinder or reduce the ability of the board as a whole to perform its functions.

D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.

D.1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management.

D.1.4 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Code Provisions

D.2.1 Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.

D.2.2 The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

D.3 Corporate Governance Functions

Code Provisions

D.3.1 The terms of reference of the board (or a committee or committees performing this function) should include at least:

- (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the issuer's compliance with the Code and disclosure in the Corporate Governance Report.

D.3.2 The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1. or it may delegate the responsibility to a committee or committees.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

Code Provisions

E.1.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.

Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.

- E.1.2 The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.
- E.1.3 The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.
- E.1.4 The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.

E.2 Voting by Poll

Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Code Provisions

- E.2.1 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

F. COMPANY SECRETARY

Principle

The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

Code Provisions

- F.1.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs. Where an issuer engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority (e.g. chief legal counsel or chief financial officer) at the issuer whom the external provider can contact.

- F.1.2 The board should approve the selection, appointment or dismissal of the company secretary.

Note: A board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.

- F.1.3 The company secretary should report to the board chairman and/or the chief executive.
- F.1.4 All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

CORPORATE GOVERNANCE REPORT

MANDATORY DISCLOSURE REQUIREMENTS

To provide transparency, the issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible:

G. CORPORATE GOVERNANCE PRACTICES

- (a) A narrative statement explaining how the issuer has applied the principles in the Code, enabling its shareholders to evaluate how the principles have been applied;
- (b) a statement as to whether the issuer meets the code provisions. If an issuer has adopted its own code that exceeds the code provisions, it may draw attention to this fact in its annual report; and
- (c) for any deviation from the code provisions, details of the deviation during the financial year (including considered reasons).

H. DIRECTORS' SECURITIES TRANSACTIONS

For the required standard of dealings set out in rules 5.48 to 5.67:

- (a) whether the issuer has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings;
- (b) having made specific enquiry of all directors, whether the directors of the issuer have complied with, or whether there has been any non-compliance with, the required standard of dealings and its code of conduct regarding directors' securities transactions; and
- (c) for any non-compliance with the required standard of dealings, if any, details of these and an explanation of the remedial steps taken by the issuer to address them.

I. BOARD OF DIRECTORS

- (a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors and independent non-executive directors;
- (b) number of board meetings held during the financial year;
- (c) attendance of each director, by name, at the board and general meetings;

Notes: 1 Subject to the issuer's constitutional documents and the law and regulations of its place of incorporation, attendance by a director at a meeting by electronic means such as telephonic or video-conferencing may be counted as physical attendance.

2 If a director is appointed part way during a financial year, his attendance should be stated by reference to the number of board meetings held during his tenure.

- (d) for each named director, the number of board or committee meetings he attended and separately the number of board or committee meetings attended by his alternate. Attendance at board or committee meetings by an alternate director should not be counted as attendance by the director himself;
- (e) a statement of the respective responsibilities, accountabilities and contributions of the board and management. In particular, a statement of how the board operates, including a high level statement on the types of decisions taken by the board and those delegated to management;
- (f) details of non-compliance (if any) with rules 5.05(1) and (2), and 5.05A and an explanation of the remedial steps taken to address non-compliance. This should cover non-compliance with appointment of a sufficient number of independent non-executive directors and appointment of an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise;
- (g) reasons why the issuer considers an independent non-executive director to be independent where he/she fails to meet one or more of the guidelines for assessing independence set out in rule 5.09;
- (h) relationship (including financial, business, family or other material/relevant relationship(s)), if any, between board members and in particular, between the chairman and the chief executive; and
- (i) how each director, by name, complied with A.6.5.

J. CHAIRMAN AND CHIEF EXECUTIVE

- (a) The identity of the chairman and chief executive; and
- (b) whether the roles of the chairman and chief executive are separate and exercised by different individuals.

K. NON-EXECUTIVE DIRECTORS

The term of appointment of non-executive directors.

L. BOARD COMMITTEES

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

- (a) the role and function of the committee;
- (b) the composition of the committee and whether it comprises independent non-executive directors, non-executive directors and executive directors (including their names and identifying the chairman of the committee);
- (c) the number of meetings held by the committee during the year to discuss matters and the record of attendance of members, by name, at meetings held during the year; and
- (d) a summary of the work during the year, including:
 - (i) for the remuneration committee, determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts, performed by the remuneration committee. Disclose which of the two models of remuneration committee described in B.1.2(c) was adopted;
 - (ii) for the nomination committee, determining the policy for the nomination of directors, performed by the nomination committee or the board of directors (if there is no nomination committee) during the year. The nomination procedures and the process and criteria adopted by the nomination committee or the board of directors (if there is no nomination committee) to select and recommend candidates for directorship during the year. If the nomination committee (or the board) has a policy concerning diversity, this section should also include the board's policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives;
 - (iii) for corporate governance, determining the policy for the corporate governance of the issuer, and duties performed by the board or the committee(s) under D.3.1; and
 - (iv) for the audit committee, a report on how it met its responsibilities in its review of the quarterly, 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 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; and
 - (v) for the risk committee (if any), a report on how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the issuer's internal audit function.

M. AUDITOR'S REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by the auditors (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) to the issuer. The analysis must include, in respect of each significant non-audit service assignment, details of the nature of the services and the fees paid.

Note: The code provisions expect issuers to make certain specified disclosures in the Corporate Governance Report. Where issuers choose not to make the expected disclosure, they must give considered reasons for not doing so under paragraph G(c). For ease of reference, the specific disclosure expectations of the code provisions are:

- 1 directors' acknowledgement of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1. 3 of the Code);*
- 2 report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the issuer's ability to continue as a going concern (C.1. 3 of the Code);*
- 3 a statement that the board has conducted a review of the effectiveness of the internal control system of the issuer and its subsidiaries (C.2.1 of the Code); and*
- 4 a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from the audit committee on the selection, appointment, resignation or dismissal of external auditors (C.3.5 of the Code).*

N. COMPANY SECRETARY

- (a) Where an issuer engages an external service provider as its company secretary, its primary corporate contact person at the issuer (including his/her name and position); and
- (b) details of non-compliance with rule 5.15.

O. SHAREHOLDERS' RIGHTS

- (a) How shareholders can convene an extraordinary general meeting;
- (b) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and
- (c) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

P. INVESTOR RELATIONS

Any significant changes in the issuer's constitutional documents during the year.

Q. RISK MANAGEMENT AND INTERNAL CONTROL

Where an issuer includes the board's statement that it has conducted a review of its risk management and internal control systems in the annual report under code provision C.2.1, it must disclose the following:

- (a) whether the issuer has an internal audit function;
- (b) how often the risk management and internal control systems are reviewed, the period covered, and where an issuer has not conducted a review during the year, an explanation why not; and
- (c) a statement that a review of the effectiveness of the risk management and internal control systems has been conducted and whether the issuer considers them effective and adequate.

RECOMMENDED DISCLOSURES

The disclosures set out in the following paragraphs on corporate governance matters are provided for issuers' reference. They are not intended to be exhaustive or mandatory. They are intended to show the areas which issuers may comment on in their Corporate Governance Report. The level of detail needed varies with the nature and complexity of issuers' business activities. Issuers are encouraged to include the following information in their Corporate Governance Report:

R. SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management (i.e. those individuals whose biographical details are disclosed in the annual report).

S. INVESTOR RELATIONS

- (a) Details of shareholders by type and aggregate shareholding;
- (b) details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars;
- (c) indication of important shareholders' dates in the coming financial year; and
- (d) public float capitalisation at the year end.

T. MANAGEMENT FUNCTIONS

The division of responsibility between the board and management.

Note: Issuers may consider that some of the information recommended under paragraphs R to T is too lengthy and detailed to be included in the Corporate Governance Report. As an alternative to full disclosure in the Corporate Governance Report, issuers may choose to include some or all of this information:

- (a) on its website and highlight to investors where they can:
 - (i) access the soft copy by giving a hyperlink direct to the relevant webpage; and/or*
 - (ii) collect a hard copy of the relevant information free of charge; or**
- (b) where the information is publicly available, by stating where the information can be found. Any hyperlink should be direct to the relevant webpage.*

Appendix 16

CORPORATE GOVERNANCE REPORT

[Merged with Appendix 15 1 April 2012]

Appendix 17

Headline Categories

The following documents are submitted by issuers for publication on our website as listed companies information:–

Equity

1. Headline Categories for Announcements and Notices (as set out in Schedule 1)
2. Headline Categories for Circulars (as set out in Schedule 2)
3. Headline Categories for Listing Documents (as set out in Schedule 3)
4. Headline Categories for Financial Statements/ESG Information (as set out in Schedule 4)
5. Headline Category – Next Day Disclosure Returns (as set out in Schedule 4A)
- 5A. Headline Category – Monthly Returns
6. Headline Category – Proxy Forms
7. Headline Category – Company Information Sheet (GEM)
8. Headline Category – Trading Information of Exchange Traded Funds
9. Headline Category – Trading Information of Leveraged and Inverse Products
10. Headline Category – Constitutional Documents

Debt and Structured Products

11. Headline Categories for Debt and Structured Products (as set out in Schedule 5)

Application Proofs and Post Hearing Information Packs or PHIPs

12. Headline Category for Application Proofs and Post Hearing Information Packs or PHIPs (as set out in Schedule 6)

Schedule 1

Headline Categories for Announcements and Notices

Connected Transactions

Auditors or INEDs Unable to Confirm Matters relating to Continuing Connected Transaction
Connected Transaction
Continuing Connected Transaction
Guaranteed Net Tangible Assets or Profits
Waiver in respect of Connected Transaction Requirements

Corporate Positions and Committees/Corporate Changes

Amendment of Constitutional Documents
Change in a Director's or Supervisor's Biographical Details
Change in Auditors
Change in Class Rights
Change in Company Secretary
Change in Compliance Adviser
Change in Compliance Officer
Change in Directors or of Important Executive Functions or Responsibilities
Change in Financial Year End
Change in Registered Address or Office, Registered Place of Business in HK or Agent for Service of Process in HK
Change in Share Registrar/Transfer Agent
Change in Supervisors
Change in Chief Executive
Change of Audit Committee Member
Change of Remuneration Committee Member
Change of Company Name
List of Directors and their Role and Function
Non-compliance with Audit Committee Requirements
Non-compliance with Remuneration Committee Requirements
Non-compliance with Compliance Officer Requirements
Non-compliance with INED Requirements or INED Failing to Meet Independence Guidelines
Terms of Reference of the Audit Committee
Terms of Reference of the Remuneration Committee
Terms of Reference of the Nomination Committee
Terms of Reference of Other Board Committees

Financial Information

Advance to an Entity
Date of Board Meeting
Delay in Results Announcement
Dividend or Distribution
Final Results
Financial Assistance and/or Guarantee to Affiliated Company
Interim Results
Net Asset Value
Profit Warning
Prior Period Adjustments due to Correction of Material Errors
Qualified and/or Modified Audit Report
Quarterly Results
Results of a Subsidiary
Revision of Information in Published Preliminary Results
Revision of Published Financial Statements and Reports

Meetings/Voting

Change of Voting Intention
Material Information after Issue of Circular
Nomination of Director by Shareholder
Notice of AGM
Notice of EGM/SGM
Re-election or Appointment of Director subject to Shareholders' Approval
Results of AGM
Results of EGM/SGM
Change in Auditors subject to Shareholders' Approval

New Listings (Listed Issuers/New Applicants)

Allotment Results
Formal Notice
Listing of Securities by way of Introduction
Striking Price on Offer for Subscription or for Sale by Tender
Supplemental Information regarding IPO
Transfer of listing from GEM to Main Board
Mixed Media Offer

Notifiable Transactions

Delay in Completion
Discloseable Transaction
Major Transaction
Reverse Takeover
Share Transaction
Termination of Transaction
Variation to Terms
Very Substantial Acquisition
Very Substantial Disposal

Reorganisation/Change in Shareholding/Major Changes/Public Float/Listing Status

Announcement by Offeree Company under the Takeovers Code
Announcement by Offeror Company under the Takeovers Code
Change in Principal Business Activities
Change in Shareholding
Charging or Pledging of Shares by Shareholder
Concentration of Shareholdings
Dealing in Securities by Director where Otherwise Prohibited under Model Code
Group Restructuring or Scheme of Arrangement
Lack of Open Market in Securities
Listing on Overseas Exchange or Securities Market
Privatisation/Withdrawal or Cancellation of Listing of Securities
Resumption
Spin-off
Sufficiency of Assets and/or Operations and/or Issuer becoming Cash Company
Sufficiency of Public Float
Suspension
Trading Halt
Winding Up and Liquidation of Issuer, its Holding Company or Major Subsidiary

Securities/Share Capital

Announcement pursuant to Code on Share Buy-backs
Capital Reorganisation
Capitalisation Issue
Change in Board Lot Size
Change in Terms of Securities or Rights attaching to Securities
Change of Dividend Payment Date
Closure of Books or Change of Book Closure Period
Consideration Issue
Conversion of Securities
Intention to Sell Shares of Untraceable Member
Issue of Convertible Securities
Issue of Debt Securities
Issue of Preference Shares
Issue of Securities by Major Subsidiary
Issue of Shares under a General Mandate
Issue of Shares under a Specific Mandate
Issue of Warrants
Movements in Issued Share Capital
Open Offer
Placing
Rights Issue
Share Option Scheme
Trading Arrangements (other than Change in Board Lot Size)

Miscellaneous

Breach of Loan Agreement
Clarification of News or Reports – Qualified
Clarification of News or Reports – Standard or Super
Delay in Dispatch of Circular or other Document
Loan Agreement with Specific Performance Covenant
Matters relating to Collective Investment Schemes
Matters relating to Options
Mining Activities Undertaken by Listed Issuers
Other – Business Update
Other – Corporate Governance Related Matters
Other – Litigation
Other – Miscellaneous
Other – Trading Update
Overseas Regulatory Announcement – Board/Supervisory Board Resolutions
Overseas Regulatory Announcement – Business Update
Overseas Regulatory Announcement – Corporate Governance Related Matters
Overseas Regulatory Announcement – Issue of Securities and Related Matters
Overseas Regulatory Announcement – Other
Overseas Regulatory Announcement – Trading Update
Inside Information
Unusual Price/Turnover Movements – Qualified
Unusual Price/Turnover Movements – Standard or Super

Schedule 2

Headline Categories for Circulars

Connected Transaction

Connected Transaction
Continuing Connected Transaction

Corporate Positions and Committees/Corporate Changes

Amendment of Constitutional Documents

Meetings/Voting

Change of Voting Intention
Material Information after Issue of Circular
Nomination of Director by Shareholder
Re-election or Appointment of Director subject to Shareholders' Approval
Change in Auditors subject to Shareholders' Approval

Notifiable Transactions

Major Transaction
Reverse Takeover
Very Substantial Acquisition
Very Substantial Disposal

Reorganisation/Change in Shareholding/Major Changes/Public Float/Listing Status

Document issued by Offeree Company under the Takeovers Code
Document issued by Offeror Company under the Takeovers Code
Fundamental Change in Principal Business Activities
Privatisation/Withdrawal of Listing of Securities
Proposal of Mineral Company to Explore for Natural Resources as Extension to or Change from Existing Activities
Spin-off

Securities/Share Capital

Capitalisation Issue
Change in Terms of Securities or Rights attaching to Securities
Document issued pursuant to Code on Share Buy-backs
Exchange or Substitution of Securities
Explanatory Statement for Repurchase of Shares
General Mandate
Issue of Convertible Securities
Issue of Debt Securities
Issue of Preference Shares
Issue of Securities by Major Subsidiary
Issue of Securities within 6 Months of Listing
Issue of Shares
Issue of Warrants
Open Offer
Rights Issue
Share Option Scheme

Miscellaneous

Matters relating to Collective Investment Schemes
Other

Schedule 3

Headline Categories for Listing Documents

Authorised Collective Investment Scheme
Capitalisation Issue
Deemed New Listing under the Listing Rules
Exchange or Substitution of Securities
Introduction
Offer for Sale
Offer for Subscription
Open Offer
Other
Placing of Securities of a Class New to Listing
Rights Issue
Supplementary Listing Document

Schedule 4

Headline Categories for Financial Statements/ESG Information

Annual Report
Interim/Half-Year Report
Quarterly Report
Environmental, Social and Governance Information/Report

Schedule 4A

Headline Categories for Next Day Disclosure Returns

Share Buyback
Others

Schedule 5

Headline Categories for Debt and Structured Products

Callable Bull / Bear Contracts (CBBC)

Additional information – Exotic CBBC
Adjustment to Terms and Conditions – CBBC
Base Listing Document – CBBC
Daily Trading Report – CBBC
Expiry Announcement – CBBC
Inside Information – CBBC
Launch Announcement – CBBC
Liquidity Provision Service – CBBC
Market Disruption Event – CBBC
Other – CBBC
Pre-Listing Trading Report – CBBC
Resumption – CBBC
Supplemental Listing Document – CBBC
Suspension – CBBC
Trading Halt – CBBC
Withdrawal of Listing – CBBC

Derivative Warrants (DW)

Additional Information – Exotic DW
Adjustment to Terms and Conditions – DW
Base Listing Document – DW
Daily Trading Report – DW
Expiry Announcement – DW
Inside Information – DW
Launch Announcement – DW
Liquidity Provision Service – DW
Market Disruption Event – DW
Other – DW
Pre-Listing Trading Report – DW
Resumption – DW
Supplemental Listing Document – DW
Suspension – DW
Trading Halt – DW
Withdrawal of Listing – DW

Equity Linked Instruments (ELI)

Additional Information – Exotic ELI
Adjustment to Terms and Conditions – ELI
Base Listing Document – ELI
Daily Trading Report – ELI
Expiry Announcement – ELI
Inside Information – ELI
Launch Announcement – ELI
Liquidity Provision Service – ELI
Market Disruption Event – ELI

Other – ELI
Pre-Listing Trading Report – ELI
Resumption – ELI
Supplemental Listing Document – ELI
Suspension – ELI
Trading Halt – ELI
Withdrawal of Listing – ELI

Information regarding Structured Products Issuers

Corporate Information – Structured Products Issuer
Credit Rating – Structured Products Issuer
Financial Disclosure or Report – Structured Products Issuer
Inside Information – Structured Products Issuer
Other – Structured Products Issuer

Debt Securities

Adjustment to Terms and Conditions – Debt Securities
Financial Report – Debt Securities
Formal Notice – Debt Securities
Inside Information – Debt Securities
Issuer-Specific Report – Debt Securities
Offering Circular and Pricing Supplement – Debt Securities
Other – Debt Securities
Overseas Regulatory Announcement – Debt Securities
Prospectus – Debt Securities
Redemption or Repurchase – Debt Securities
Resumption – Debt Securities
Suspension – Debt Securities
Trading Halt – Debt Securities
Withdrawal of Listing – Debt Securities

Schedule 6

Headline Categories for Application Proofs and Post Hearing Information Packs or PHIPs

Application Proofs or related materials

Post Hearing Information Packs or PHIPs or related materials

APPENDIX 18

CONTENT OF A COMPETENT PERSON'S REPORT FOR PETROLEUM RESERVES AND RESOURCES

(See rule 18A.20)

The Competent Person's Report for Petroleum Reserves and Resources must include the following:–

1. (1) Table of contents
 - (2) Executive summary
 - (3) Introduction:–
 - (a) the Competent Person's terms of reference;
 - (b) a statement by the Competent Person confirming his details including his full name, address, professional qualifications, expertise, years of experience, professional society affiliations, and membership details of a relevant Recognised Professional Organisation;
 - (c) a statement by the Competent Person that he is independent of the Mineral Company, its directors, senior management, and advisers, in compliance with GEM Listing Rule 18A.22.
 - (d) a description of the nature and source of any information used in the preparation of the Competent Person's Report including any limitations on the availability of information;
 - (e) details of any information used in the preparation of the Competent Person's Report that was provided by the Mineral Company;
 - (f) a statement that the Resources and Reserves have been substantiated by evidence (from a site visit, if appropriate) that:–
 - (i) is supported by analyses; and
 - (ii) takes account of information supplied to the Competent Person;
 - (g) if a site visit has been undertaken, when the site visit was undertaken and by whom;
 - (h) if a site visit has not been undertaken, a satisfactory reason as to why not;
- Note: It is for the Competent Person to determine whether or not a site visit is necessary.*
- (i) the effective date of the estimates;
 - (j) the effective date of the Competent Person's Report;
 - (k) the Reporting Standard used in the Competent Person's Report, and an explanation of any departure from the relevant Reporting Standard;

- (l) abbreviated definitions of the categories of Reserves and Resources used in the Competent Person's Report.

(4) Summary of Assets:–

- (a) a description or table of assets held by the Mineral Company including:–
 - (i) the percentage ownership by the Mineral Company; and
 - (ii) the gross and net acreage of the assets;
- (b) a summary of gross and net:–
 - (i) Proved Reserves; and
 - (ii) Proved Reserves plus Probable Reserves,
(net of any revenue interest and/or entitlement interests, as appropriate) as of [date];
- (c) gross (100% of field) production profiles for:–
 - (i) Proved Reserves; and
 - (ii) Proved Reserves plus Probable Reserves (optional),
(listed separately)
- (d) a summary of any upside in respect of Possible Reserves, Contingent Resources, and Prospective Resources (optional);
- (e) a summary of net present values ("NPVs") attributable to:–
 - (i) Proved Reserves; and
 - (ii) Proved Reserves plus Probable Reserves;including any caveats. This disclosure is optional.

Note: Volumetric or monetary results of differing classes of Reserves and Resources with other classes must not be combined. Prospective Resources must not be summed (either to each other or to other classes).

(5) Discussion:–

- (a) general description of the region's petroleum history;
- (b) details of the regional and basin generalized geology and evident petroleum system;

(6) Field(s), licence(s) and asset(s):–

- (a) For each field, licence and asset (or a number of fields, licences, and assets), reporting shall be divided into four explicitly different sections:–
 - (i) Reserves;

- (ii) Contingent Resources;
- (iii) Prospective Resources; and
- (iv) other assets material to the Mineral Company;

Note: Examples of other assets material to a Mineral Company are: a pipeline which is not part of the producing assets facilities, an evacuation pipeline, or a petrochemical plant.

(b) For each of 6(a)(i), (ii) and (iii) the following information must be provided, as applicable:–

- (i) the nature and extent of any rights to explore and extract hydrocarbons and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents and the responsibility for any rehabilitation and/or abandonment costs;
- (ii) a description of geological characteristics including a stratigraphic column;
- (iii) the characteristics of the reservoir (including thickness, porosity, permeability, pressure, and any recovery mechanism), or that judged to be expected in the case of Prospective Resources;
- (iv) details of any exploration drilling including the depth of zone tested, rock formation encountered, and any liquids and/or gases encountered and/or recovered;
- (v) the date production commenced;
- (vi) details of any developments;
- (vii) details of any commercial risks for any Contingent Resources;
- (viii) details of any geological risk assessment for any Prospective Resources;
- (ix) the methods employed for exploration and/or extraction;
- (x) plans and maps for each field demonstrating any geological characteristics, platforms, pipelines, wells, bore holes, sample pits, trenches and similar characteristics;
- (xi) discussion on the field development plan;
- (xii) comments on plant and machinery including suitability and expected life capability in terms of rates, conditions, and costs of maintaining;
- (xiii) production schedules and the basis for any estimations;
- (xiv) comments on any production forecasts made by the Mineral Company; and

(xv) a statement of:–

- (A) Proved Reserves;
- (B) Proved Reserves plus Probable Reserves;
- (C) Possible Reserves; (optional)

including the method of estimation and the expected recovery factor;

Note: Information on Possible Reserves must be stated separately and not combined with information on any other Reserves. A clear statement must be provided that any Possible Reserves are entirely excluded from any asset valuation or statement of Reserves.

(7) Business:–

- (a) the general nature of the business of the Mineral Company, distinguishing between different activities which are material to the business having regard to the profits or losses, assets employed and any factors affecting the importance of the activity;
- (b) a statement about the Mineral Company's long term prospects;
- (c) an assessment of the technical staff employed by the Mineral Company;
- (d) any other factors that might affect value perceptions;

Note: Examples of other factors that might affect value perceptions are transportation difficulties and marketing.

(8) Economic evaluation:–

If a Mineral Company provides an economic evaluation based on Discounted Cash Flow analyses, the following additional requirements should be complied with:–

- (a) separate NPVs must be calculated for:–
 - (i) Proved Reserves; and
 - (ii) Proved Reserves plus Probable Reserves; (optional)
- (b) the oil prices or gas prices used in forecast cases and constant cases must be clearly stated, including any discounts or premiums of quality, transportation, or logistics, if applicable;
- (c) a summary of the fiscal terms under which the licence(s) or permit(s) are held must be stated;
- (d) varying discount rates (including the weighted average cost of capital or the minimum acceptable rate of return that applies to the Mineral Company when the evaluation is made) or a fixed discount rate of 10% must be applied;

- (e) if the NPVs attributable to Reserves are disclosed, they are presented using a forecast price as a base case or using a constant price as a base case. Under the base case:–
 - (i) any assumptions made by the Competent Person must be stated including:–
 - (A) the cost inflation rate;
 - (B) if applicable, the exchange rate;
 - (C) the effective date; and
 - (D) any salient fiscal terms and assumptions;
- (f) a table of NPV results for the Mineral Company's net economic interests must be included, which must not combine volumes or monetary conclusions for different categories;
- (g) sensitivity analyses for oil and gas prices, must be included, if appropriate, clearly stating the parameters chosen;
- (h) separate economic evaluation of plant and machinery must be included if not used in the extraction of Reserves;

Note: Pipelines are an example of plant and machinery not used in the extraction of Reserves.

(9) Social and Environmental:–

Discussion on any social and/or environmental issues, which are relevant to the exploration or exploitation of the hydrocarbons must be included, if material.

Note: Examples of social and environmental issues include difficulties of access, difficulties in laying pipelines, and special environmental concerns such as fishing grounds.

(10) Basis of opinion:–

- (a) a statement that the Competent Person's Report has been prepared within the context of the Competent Person's understanding of the effects of petroleum legislation, taxation, and other regulations, that currently apply to assets;
- (b) a statement that the Competent Person is in a position to attest to the rights of the Mineral Company to explore, mine, or explore and mine, the relevant Resources and Reserves;
- (c) a statement that the Competent Person's Report is, and must remain, an independent opinion despite certain information used in the preparation of the Competent Person's Report having been given to it by the Mineral Company;

(11) Illustrations – of sufficient clarity to graphically present the material within the text. Maps must include a geographical reference system and scale bar for clarity. Technical drawings must include a legend to explain features within the diagram.

Appendix 19

[Types of properties]

(E.g. properties for investments, for sale, held for development or under development)

[Geographical region]

Use and name/brief description of projects	Total/Planned Gross Floor Area	Leasable/ Saleable area	Number of rooms/units	Number of car parking spaces	Attributable to the group	Terms of tenure (year of leasehold expiry)	Construction commencement date (if under development)	Year of completion/ Expected completion date	Development cost, where property is being developed (as required under rule 8.05(3)(e))	Average occupancy rate	Average effective rent (as required under rule 8.05(2))	Attributable independent valuation as at [date]
For example:												
Mixed use												
[Name of project]												
Residential												
Retail												
Office												
Hotel												
Office												
Residential												
Retail												
Serviced apartments												

Appendix 20

Environmental, Social and Governance Reporting Guide

The Guide

1. This Guide comprises two levels of disclosure obligations: (a) “comply or explain” provisions; and (b) recommended disclosures.
2. An issuer must report on the “comply or explain” provisions of this Guide. If the issuer does not report on one or more of these provisions, it must provide reasons in its ESG report. The issuer is encouraged, but not required, to report on the recommended disclosures of this Guide. For guidance on the “comply or explain” approach, issuers may refer to the “*What is “comply or explain”?*” section of the Corporate Governance Code and Corporate Governance Report (“Corporate Governance Code”) in Appendix 15 of the GEM Listing Rules.
3. An issuer must disclose ESG information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer’s annual report, in a separate report, or on the issuer’s website. Regardless of the format adopted, the ESG report should be published on the Exchange’s website and the issuer’s website. Where not presented in the issuer’s annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer’s annual report.

Overall Approach

4. This Guide is organised into two ESG subject areas (“Subject Areas”): Environmental (Subject Area A) and Social (Subject Area B). Corporate governance is addressed separately in the Corporate Governance Code.
5. Each Subject Area has various aspects (“Aspects”). Each Aspect sets out general disclosures (“General Disclosures”) and key performance indicators (“KPIs”) for issuers to report on in order to demonstrate how they have performed.
6. In addition to the “comply or explain” matters set out in this Guide, the Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs, including recommended disclosures, that reflect the issuer’s significant environmental and social impacts; or substantially influence the assessments and decisions of stakeholders. In assessing these matters, the issuer should engage stakeholders on an ongoing basis in order to understand their views and better meet their expectations.
7. This Guide is not comprehensive and the issuer may refer to existing international ESG reporting guidance for its relevant industry or sector. The issuer may adopt international ESG reporting guidance so long as it includes comparable disclosure provisions to the “comply or explain” provisions set out in this Guide. The issuer may also consider obtaining assurance on its ESG report.

ESG strategy and reporting

8. The board has overall responsibility for an issuer’s ESG strategy and reporting.

9. In line with the Corporate Governance Code, the board is responsible for evaluating and determining the issuer's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management should provide a confirmation to the board on the effectiveness of these systems.
10. The ESG report should state the issuer's ESG management approach, strategy, priorities and objectives and explain how they relate to its business. It would be useful to discuss the issuer's management, measurement and monitoring system employed to implement its ESG strategy. An ESG report should also state which entities in the issuer's group and/or which operations have been included in the report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Reporting Principles

11. The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented:
 - (1) **Materiality** is the threshold at which ESG issues become sufficiently important to investors and other stakeholders that they should be reported.
 - (2) **Quantitative:** KPIs need to be measurable. Targets can be set to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.
 - (3) **Balance:** The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.
 - (4) **Consistency:** The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time. The issuer should disclose in the ESG report any changes to the methods used or any other relevant factors affecting a meaningful comparison.

Complementing ESG discussions in the Business Review Section of the Directors' Report

12. Pursuant to rule 18.07A(2)(d), an issuer's directors' report for a financial year must contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review must include, to the extent necessary for an understanding of the development, performance or position of the issuer's business:
 - (i) a discussion of the issuer's environmental policies and performance;
 - (ii) a discussion of the issuer's compliance with the relevant laws and regulations that have a significant impact on the issuer; and
 - (iii) an account of the issuer's key relationships with its employees, customers and suppliers and others that have a significant impact on the issuer and on which the issuer's success depends.

This Guide should complement the content requirements of the directors' report, as it calls for issuers to disclose information in respect of specific ESG areas.

Note: As regards "Subject Area A. Environmental", the upgrade of the KPIs to "comply or explain" will come into effect for issuers' financial years beginning on or after 1 January 2017.

Subject Areas, Aspects, General Disclosures and KPIs		
	"Comply or explain" Provisions	Recommended Disclosures
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	
	KPI A1.1	The types of emissions and respective emissions data.
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Subject Areas, Aspects, General Disclosures and KPIs			
	“Comply or explain” Provisions		Recommended Disclosures
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>		
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	

Subject Areas, Aspects, General Disclosures and KPIs			
	“Comply or explain” Provisions		Recommended Disclosures
Aspect A3: The Environment and Natural Resources	General Disclosure		
	Policies on minimising the issuer’s significant impact on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure		
	Information on:		
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer		
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	

Subject Areas, Aspects, General Disclosures and KPIs			
	"Comply or explain" Provisions	Recommended Disclosures	
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>		
		KPI B2.1	Number and rate of work-related fatalities.
		KPI B2.2	Lost days due to work injury.
		KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p>		
		KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).
		KPI B3.2	The average training hours completed per employee by gender and employee category.

Subject Areas, Aspects, General Disclosures and KPIs			
	“Comply or explain” Provisions	Recommended Disclosures	
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
		KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.
		KPI B4.2	Description of steps taken to eliminate such practices when discovered.
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		
		KPI B5.1	Number of suppliers by geographical region.
		KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.

Subject Areas, Aspects, General Disclosures and KPIs			
	"Comply or explain" Provisions	Recommended Disclosures	
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
		KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
		KPI B6.2	Number of products and service related complaints received and how they are dealt with.
		KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.
		KPI B6.4	Description of quality assurance process and recall procedures.
		KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.

Subject Areas, Aspects, General Disclosures and KPIs			
	“Comply or explain” Provisions	Recommended Disclosures	
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
		KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.
		KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.
Community			
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.		
		KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).
		KPI B8.2	Resources contributed (e.g. money or time) to the focus area.