

# Chapter 1

## GENERAL

### INTERPRETATION

1.01 Throughout this book, the following terms, save where the context otherwise requires, have the following meanings:

**“subsidiary”**

includes:

- (a) a “subsidiary undertaking” as defined in the meaning attributed twenty-third schedule to it in section 2 of the Companies Ordinance;

# Chapter 5

## GENERAL

### DIRECTORS, SECRETARY AND CORPORATE GOVERNANCE MATTERS

#### Company secretary

- 5.14 The secretary of the issuer must be a person who has the requisite knowledge and experience to discharge the functions of the secretary of the issuer and who:—
- (1) is ~~a member~~ an Ordinary Member of The Hong Kong Institute of ~~Company-Chartered~~ Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or
  - (2) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is capable of discharging those functions.

# Chapter 7

## GENERAL

### ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

#### **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 active business pursuits 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 accountant's 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 active business pursuits period.*

#### **Accounting standards**

7.12 The financial history of results and the balance sheet included in the accountants' report must normally be drawn up in conformity with Hong Kong Financial Reporting Standards or International Financial Reporting Standards.

*Note: The issuer must apply one of these bodies of standards consistently and shall not change from one body of standards to the other, ~~unless there are reasonable grounds to justify such change.~~*

#### **Pro Forma Financial Information**

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 accounts 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 accounts 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 accounts in the accountant's 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 ~~published~~ audited consolidated financial statements in the accountants' report irrespective of the interest held in the major subsidiary.*

# Chapter 12

## EQUITY SECURITIES

### APPLICATION PROCEDURES AND REQUIREMENTS

#### Documentary requirements

*At the time of application for listing*

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

- (1) the annual report and accounts of the companies which comprise or will comprise the group of the new applicant for each of the years forming the subject of the accountants' report (rule 11.10);
- (2) a formal declaration undertaking and acknowledgement, in the relevant form set out in Appendix 6, duly signed by each director and proposed director (and, in the case of a PRC issuer, each supervisor and proposed supervisor); together with, in respect of each sponsor to the application for listing, an undertaking pursuant to rule 6A.03 in the terms set out in rule 6A.04 and in the form in paragraph 21 of Appendix 5a and a statement pursuant to rule 6A.08 addressing the matters set out in rule 6A.07 and in the form of Form K of Appendix 7, both duly signed on the sponsor's behalf;
- (3) a certified copy of the certificate of incorporation and any certificates of incorporation on change of name or equivalent document of the issuer;
- (4) a certified copy of the certificate (if any) entitling the issuer to commence business;
- (5) any checklist(s) in the form prescribed by the Exchange from time to time, duly completed; and
- (6) if requested by the Exchange, whether at the time of submitting the application for listing or at any time thereafter:—
  - (a) a written submission to the Exchange in the form prescribed by the Exchange from time to time in support of the application for listing;
  - (b) where the promoter or other interested party is a limited company or a firm, a statutory declaration as to the identity of those who control it or are interested in its profits or assets; and
  - (c) where the new applicant has any corporate shareholder holding over 5 per cent of the issued capital, a declaration by a duly authorised officer of each such corporate shareholder, giving details of its registered office, directors, shareholders and business.

# Chapter 17

## EQUITY SECURITIES

### CONTINUING OBLIGATIONS

#### General matters relevant to the issuer's business

*Exposure to borrowers and other specific circumstances that may require disclosure*

17.14 Without prejudice to any obligation to disclose information pursuant to rule 17.10 and without limiting the scope of that rule, rules 17.15 to 17.21 set out specific instances that give rise to a disclosure obligation on the part of an issuer.

Notes: 1 *Issuers are reminded that transactions and financing arrangements of the sort referred to in rules 17.15 to 17.21 may also be subject to the requirements of 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:—*

~~*“percentage ratios” shall have the meaning set out in rule 19.04(9) and the percentage ratios shall apply to the requirements under rules 17.15 to 17.21 to the extent applicable.*~~

*“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 *If the directors consider that any disclosure pursuant to rules 17.15 to 17.21 might prejudice the issuer's business interests, the Exchange must be consulted as soon as possible.*

*Advances to an entity*

17.15 A disclosure obligation arises where ~~any of the percentage ratios of~~ the relevant advance to an entity from the issuer or any of its subsidiaries exceeds ~~8%-% under the assets ratio as defined under rule 19.07(1).~~ 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 A disclosure obligation arises where the relevant advance to an entity increases from that previously disclosed (whether pursuant to rule 17.15, this rule or rule 17.22) and ~~any of the percentage ratios for~~ the amount of the increase since the previous disclosure is 3% or more under the assets ratio as defined under rule 19.07(1).

17.17A For the purpose of rules 17.15 and 17.16, where:

(1) any trade receivable (other than as a result of the provision of financial assistance) arose in the ordinary and usual course of business of the issuer; and

(2) the transaction from which the trade receivable arose was on normal commercial terms,

the trade receivable shall not be regarded as a relevant advance to an entity.

*Financial assistance and guarantees to affiliated companies of an issuer*

17.18 A disclosure obligation arises where ~~any of the percentage ratios of~~ 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 as defined under rule 19.07(1). In these circumstances, the information required to be announced, immediately thereafter, is as follows:

(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.

*Continuing disclosure requirements*

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, the issuer's half-year, quarterly or annual report shall include a ~~proforma~~ combined balance sheet of affiliated companies as at the latest practicable date. The ~~proforma~~ combined balance sheet of affiliated companies should include significant balance sheet classifications and state the effective economic interest of the issuer in the affiliated companies. In cases where it is not practicable to prepare the ~~proforma~~ combined balance sheet of affiliated companies, the Exchange, on application from the issuer, may consider to accept, 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.

**Changes**

17.50 An 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 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;

*Note: Changes to 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 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~~7~~.

*Notes: 1* Where a new director is appointed or the resignation or re-designation of a director (and, in the case of a PRC issuer, a supervisor) takes effect, the Exchange must be informed immediately thereafter. The Exchange must be informed of any proposed appointment of a director (and, in the case of a PRC issuer, a supervisor) at least 14 business days in advance.

*2* The issuer must simultaneously make arrangements to ensure that the appointment, resignation or re-designation of the director (and, in the case of a PRC issuer, the supervisor) is announced as soon as practicable.

*3* The issuer shall include the following details of any newly appointed or re-designated director (and, in the case of a PRC issuer, any newly appointed supervisor) in the announcement of his appointment or re-designation:-

- (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) previous experience including other directorships held in listed public companies in the last 3 years and other major appointments and qualifications;
- (d) length or proposed length of service with the issuer;
- (e) relationships with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the issuer, ~~or an appropriate negative statement;~~
  - (f) his interests in shares of the issuer within the meaning of Part XV of the Securities and Futures Ordinance, or an appropriate negative statement;*
  - (g) amount of the director's emoluments (and, in the case of a PRC issuer, the supervisor's emoluments) specified in his service contract and the basis of determining the director's emoluments (and, in the case of a PRC issuer, the supervisor's emoluments) (including any bonus payments, whether fixed or discretionary in nature); and*
  - (h) any other matters that need to be brought to the attention of holders of securities of the issuer.*

~~4 The issuer shall also disclose in the announcement of resignation of a director (and in the case of a PRC issuer, a supervisor) the reasons given by the director (and in the case of a PRC issuer, the supervisor) for his resignation (including, but not limited to, any information relating to his disagreement with the board, and a statement as to whether or not there are any matters that need to be brought to the attention of holders of securities of the issuer).~~

~~5 The Exchange must be informed of any important change in the holding of an executive office:~~

- ~~(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 emoluments (and, in the case of a PRC issuer, the supervisor's emoluments) and the basis of determining the director'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 or supervisor 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 of the following offences (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, Part II of the Companies Ordinance (insofar as that Part relates, whether directly or indirectly, to the performance of functions by the Securities and Futures Commission in relation to prospectuses and purchase by a company of its own shares) and Part XII of the Companies Ordinance (insofar as that Part relates, whether directly or indirectly, to the performance of functions by the Securities and Futures 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 or any Ordinance relating to taxation, or any comparable legislation of other jurisdictions; and
  - (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 pursuant to 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 such expression is 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 pursuant to 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 be in breach of 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;  
or

- (iv) any enterprise, company or unincorporated business enterprise in which he was or is a controlling shareholder (as such term is 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 be in breach of 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;
- (o) where he has, in connection with the formation or management of any enterprise, company, partnership or unincorporated business enterprise or institution, been adjudged by a Court or arbitral body civilly liable for any fraud, breach of duty or other misconduct by him towards such enterprise, company, partnership or unincorporated business enterprise or institution or towards any of its members or partners, full particulars of such judgement;
- (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) 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) 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 shall also disclose in the announcement of resignation of a director (and in the case of a PRC issuer, a supervisor) the reasons given by the director (and in the case of a PRC issuer, the supervisor) for his resignation (including, but not limited to, any information relating to his disagreement with the board, and a statement as to 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), qualified accountant (see rule 5.15) 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); and

*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.

#### **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.

# Chapter 18

## EQUITY SECURITIES

### FINANCIAL INFORMATION

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

##### *Content of preliminary announcement*

18.50B Except for banking companies, which must comply with rule 18.80, 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 contain at least the following information in respect of the group:—

- (1) Income statement
  - (a) turnover;
  - (b) investment and other income;
  - (c) profit (or loss) on sale of investments or properties;
  - (d) cost of goods sold;
  - (e) interest on borrowings;
  - (f) depreciation/amortisation;
  - (g) profit (or loss) before taxation ~~including the share of profit (or loss) of affiliated companies with separate disclosure of any items included therein which are exceptional because of size and incidence;~~
  - (h) taxation on profits (Hong Kong and overseas) in each case indicating basis of computation ~~with separate disclosure of the taxation on share of affiliated companies' profits;~~
  - (i) profit (or loss) attributable to minority interests;
  - (j) profit (or loss) attributable to shareholders;
  - (k) 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);
  - (l) all movements to and from any reserves;
  - (m) earnings per share; ~~and~~
  - (n) share of profit (or loss) of associated companies and jointly controlled entities attributable to equity holders (i.e. after tax and minority interests in the associated companies and jointly controlled entities); and
  - (o) comparative figures of the matters specified in (a) to (m) immediately above for the corresponding previous period;

(2) Balance sheet information as follows, if applicable:

- (a) fixed assets;
- (b) current assets
  - (i) stocks;
  - (ii) debtors including credit policy and ageing analysis of accounts receivable;
  - (iii) cash at bank and in hand; and
  - (iv) other current assets;
- (c) current liabilities
  - (i) borrowings and debts; and
  - (ii) ageing analysis of accounts payable;
- (d) net current assets (liabilities);
- (e) total assets less current liabilities;
- (f) non-current liabilities
  - (i) borrowings and debts;
- (g) capital and reserves;
- (h) minority interests; and

(3) Segment information

The income statement and balance sheet of a listed issuer shall, in addition to that information required by rules 18.50B(1) and (2), include the information required by:—

- (a) Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with Hong Kong Financial Reporting Standards; or
- (b) International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Financial Reporting Standards; or
- (c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if it prepares its annual financial statements in accordance with US GAAP.

*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.*
- 4 *The information required by this rule may be provided on the face of the income statement or the balance sheet, as appropriate, or in the notes to the financial statements.*

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

*Banking companies*

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

- (1) As regards income statement
- (a) Interest income;
  - (b) Interest expense;
  - (c) Other operating income;
  - (d) Operating expenses;
  - (e) Charge for bad and doubtful debts;
  - (f) Gains less losses on trading securities or other investments in securities;
  - (g) Gains less losses from disposal of investment securities or non-trading securities;
  - (h) Provisions on held-to-maturity securities and investment securities or provisions on held-to-maturity securities and non-trading securities;
  - (i) Taxation on profits (Hong Kong and overseas) in each case indicating ~~the~~ basis of computation ~~with separate disclosure of the taxation on share of profits of affiliated companies' profits;~~

- (k) As appropriations:—
    - (i) transfers to or from inner reserves;
    - (ii) all movements to or from other reserves;
  - (l) 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);
  - (m) Earnings per share;
  - (n) Comparative figures of the matters specified in (a) to (m) inclusive for the corresponding previous period;
- (2) As regards statement of assets and liabilities
- (a) cash and short-term funds;
  - (b) trading securities or other investments in securities;
  - (c) advances and other accounts;
  - (d) held-to-maturity securities and investment securities or held-to-maturity securities and non-trading securities;
  - (e) issued debt securities;
  - (f) other accounts and provisions; and
  - (g) comparative figures of the matters specified in (a) to (f) inclusive for the corresponding previous period.
- (3) As regards segment information

The income statement and balance sheet of a listed issuer shall, in addition to that information required by rules 18.80(1) and (2), include the information required by:—

- (a) Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with Hong Kong Financial Reporting Standards; or
- (b) International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Financial Reporting Standards; or
- (c) the relevant accounting standards dealing with segment reporting in Generally Accepted Accounting Principles in the United States of America (US GAAP) if it prepares its annual financial statements in accordance with US GAAP.

- (4) As regards off-balance sheet exposure
  - (a) contingent liabilities and commitments; and
  - (b) derivatives
- (5) Those matters set out in rule 18.51 (in the case of preliminary announcements of results for the financial year) or rule 18.64 (in the case of preliminary results for the half-year period) or rule 18.76 (in the case of preliminary results for the quarterly period); and
- (6) In the case of half-year and quarterly reports:
  - (a) those matters set out in rules 18.55 (in the case of half-year reports) or rule 18.68 (in the case of quarterly reports); and
  - (b) other information required by the Hong Kong Monetary Authority in relation to half-year and quarterly reports, where applicable.

*Notes: 1 The information required by rules 18.80(1) to (4) may be provided on the face of the income statement or the balance sheet, as appropriate, or in the notes to the financial statements.*

*2. Rules 18.80(2) to (4) (with the exception of those segment disclosures concerning results as specified in rule 18.80(3)) are not applicable to the quarterly reports of an issuer.*



# Chapter 19

## EQUITY SECURITIES

### NOTIFIABLE TRANSACTIONS

#### 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 20.10(1)) and provides the financial assistance (as defined in rule 20.10(4)) in its ordinary and usual course of business (as referred to in rule 19.04(8)); ~~or~~
    - (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 20.10(4)) 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; 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. However, listed issuers should note that any such transaction may nevertheless be required to be disclosed under the listed issuer's general obligation to keep the market informed of all price-sensitive information (see rule 17.10).*

*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 20.31(2), 20.32, 20.33(3), 20.34, 20.65(2), 20.65(3)(a), 20.65(3)(b)(ii), 20.66(1) or 20.66(2) (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) 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**

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

19.19 In calculating total assets, the Exchange may require the inclusion of further amounts where contingent assets are involved ~~and the exclusion of all liabilities irrespective of whether they are regarded as part of the consideration.~~

*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 Hong Kong Financial Reporting Standards or International Financial Reporting Standards.*

### **Contents of circulars**

*Discloseable transaction circulars*

19.64 All circulars relating to discloseable transactions must contain the following:

- (1) a prominent and legible disclaimer on the 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 ~~regarding the assets being acquired or disposed of,~~ 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 issued share capital (if any) held by the listed issuer in that company 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 associates (as referred to in rule 6.36) and each of the directors of the listed issuer and his/her respective associates (as would be required to be disclosed under rule 11.04 if each of them were a controlling shareholder); and
- (10) any additional information requested by the Exchange.

*Very substantial acquisition circulars and reverse takeover listing documents*

19.69 A circular issued in relation to a very substantial acquisition or a listing document issued in relation to a reverse takeover must contain:—

- (1) in respect of a listing document issued in relation to a reverse takeover,
  - (a) the information required under rule 19.64 (save for the information required under rules 19.64(3) and 19.64(4)) and under rules 19.65(3) and 19.66(4);
  - (b) the information required under Appendix 1, Part A, if applicable, except paragraphs 8 and 15(3) (in respect of the 12 months preceding the issue of the circular or listing document) and 20(1); and
  - (c) the information required under rule 2.28;
- (2) in respect of a circular issued in relation to a very substantial acquisition, the information required under rules 19.66 to 19.67 (save for the information required under rules 19.66(3) and 19.67(4)) and rule 2.28;
- (3) a valuation report on the enlarged group's interests in land or buildings in accordance with Chapter 8;

- (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 active business pursuits (in respect of the period of 24 months immediately preceding the date of the listing document, or for listed issuers satisfying the conditions of rule 11.12(3), at least the 12 month period set out in rule 11.12(2)(b)) (see rules 14.15 to 14.18); and 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 ~~the case respect~~ of a circular issued in relation to a very substantial acquisition; a separate discussion and analysis of the performance of each of the ~~enlarged-existing~~ group and any business or company acquired or to be acquired for the 3 preceding financial years, in both cases covering all those matters set out in rule 18.41.

# Chapter 20

## EQUITY SECURITIES

### CONNECTED TRANSACTIONS

#### General matters concerning definitions and interpretation

20.10 In this Chapter:

- (1) a “banking company” means 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;
- (2) “consideration” is calculated as set out in rule 19.15;
- (3) “controller” means a director, chief executive or controlling shareholder of the listed issuer;
- (4) “financial assistance” includes granting credit, lending money, providing security for, or guaranteeing a loan;

*Note: see also the definition of “ordinary and usual course of business” in rule 20.10(9).*

- (5) “independent shareholder” means any shareholder of the listed issuer that is not required to abstain from voting at a general meeting to approve a connected transaction;
- (6) an “issuer” means a listed issuer or company or other legal person whose securities are the subject of an application for listing on GEM and its subsidiaries;
- (7) a “listed issuer” shall have the meaning set out in rule 19.04(6);
- (8) “normal commercial terms” are terms which a party could obtain if the transaction were on an arm’s length basis or on terms no less favourable to the listed issuer than terms available to or from independent third parties;
- (9) “ordinary and usual course of business” of an entity ~~shall have means the meaning set out in rule 19.04(8); 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 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;~~
- (10) “percentage ratios” shall have the meaning set out in rule 19.04(9);
- (11) “recognised stock exchange” means a regulated, regularly operating, open stock market recognised for this purpose by the Exchange;
- (12) “total assets” shall have the meaning set out in rule 19.04(12); and
- (13) a “transaction” by an issuer, whether or not it is of a revenue nature in the ordinary and usual course of business as defined in rule 19.04(1)(g), includes:
  - (a) the acquisition or disposal of assets including deemed disposals set out in rule 19.29;

- (b) any transaction involving a listed issuer writing, accepting, transferring, exercising or terminating (in the manner described in rule 20.68) an option to acquire or dispose of assets or to subscribe for securities;
- (c) entering into or terminating finance leases;
- (d) entering into or terminating operating leases or sub-leases, including those of properties;
- (e) granting an indemnity or a guarantee or providing financial assistance;
- (f) 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;
- (g) issuing new securities;
- (h) the provision of or receipt of services;
- (i) sharing of services; and
- (j) providing or acquiring raw materials, intermediate products and finished goods.

#### **Definition of connected person**

20.12 The definition of “connected person” in rule 20.11 does not include ~~a-any~~ wholly-owned ~~subsidiary-subsidaries~~ of the company whose securities are listed issuer on the Exchange, whether directly or indirectly held.

#### **Definition of continuing connected transaction**

20.14 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 issuer.

#### **Connected transactions (other than those involving financial assistance or the granting of options) exempt from the reporting, announcement and independent shareholders’ approval requirements**

20.31 The following connected transactions will be exempt from all the reporting, announcement and independent shareholders’ approval requirements contained in this Chapter:

##### *Intra-group transactions*

- (1) a transaction between a listed issuer and a non wholly-owned subsidiary or between its non wholly-owned subsidiaries where no connected person(s) of the listed issuer (other than at the level of its subsidiaries) as defined under rules 20.11(1) to (4), is/are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of any of the subsidiaries concerned ~~(see also rules 20.11(5))~~ and none of the subsidiaries concerned is itself a connected person under rule 20.11(6)) or rule 1.01;



*Note: An interest of a connected person of the listed issuer (other than at the level of its subsidiaries) in the subsidiary which is held through the listed issuer is to be excluded from the 10% referred to in this rule.*

*De minimis transactions*

- (2) a connected transaction on normal commercial terms where:
- (a) each of the percentage ratios (other than the profits ratio) is less than 0.1%; or
  - (b) each of the percentage ratios (other than the profits ratio) is equal to or more than 0.1% but less than 2.5% and the total consideration is less than HK\$1,000,000;

*Note: This exemption does not apply to the issue of new securities by a listed issuer to a connected person, which is governed by rule 20.31(3).*

*Issue of new securities*

- (3) where a listed issuer issues new securities to a connected person and:
- (a) the connected person receives a pro rata entitlement to securities in its capacity as shareholder; or
  - (b) securities are issued under a share option scheme which complies with Chapter 23 or securities that are issued under a share option scheme in existence before the securities of the listed issuer first commenced dealing on the Exchange for which approval for listing was granted at the time such dealing first commenced; or
  - (c) the connected person is acting as underwriter or sub-underwriter of an issue of securities by the listed issuer, provided that rules 10.31(2) and 10.42(2) have been complied with; or

*Notes: 1 The entity whose issue of securities is being underwritten or sub-underwritten by a connected person must make full disclosure of the terms and conditions of the underwriting in the listing document.*

*2 Excess application and the taking up of pro rata entitlements in respect of a rights issue or open offer are not connected transactions. Rules 10.31(1) and 10.42(1) provide that, where securities not subscribed by allottees are to be disposed of by means of excess application forms, such securities must be available for subscription by all shareholders and allocated on a fair basis. An intention to so offer such securities must be fully disclosed in the rights issue or open offer announcement, listing document and any circular.*

*3 If a listed issuer which is a holding company acts as underwriter or sub-underwriter of an issue of securities by its subsidiary that is also a listed issuer, such transaction is also connected for the listed holding company if the listed subsidiary is a connected person under rules 20.11(5) or 20.11(6). In this case, the listed issuer which is a holding company is subject to connected transaction requirements unless exempted under rules 20.31(1) or 20.31(2). The exemption under this rule is applicable to the listed subsidiary but not the listed holding company.*

- (d) securities are issued to a connected person within 14 days after such connected person has executed an agreement to reduce its holding in that class of securities by placing securities to a third person who is not its associate. The securities must be issued at a price not less than the placing price. The placing price may be adjusted for the expenses of the placing. The number of securities issued to the connected person must not exceed the number of securities placed by it;

*Note: Under rule 17.30, the listed issuer is required to make an announcement containing details of the placing and subscription of shares by the connected person.*

#### *Stock Exchange dealings*

- (4) a transaction, falling within rule 20.13(1)(b)(i), which comprises a dealing in securities listed on the Exchange or a recognised stock exchange by a listed issuer in the ordinary and usual course of its business. If the transaction is not carried out on the Exchange or a recognised stock exchange, this exemption will still apply if no consideration passes to or from a connected person. This exemption will not apply if the purpose is to confer a direct or indirect benefit upon a controller(s) or associate of a controller who is also a substantial shareholder in the relevant company;

#### *Purchase of own securities*

- (5) any purchase by a listed issuer of its own securities from a connected person on the Exchange or a recognised stock exchange or under a general offer made in accordance with the Code on Share Repurchases. Where the purchase is on the Exchange or a recognised stock exchange, this exemption will not apply if the connected person knowingly sells its securities to the listed issuer;

#### *Directors' service contracts*

- (6) the entering into of a service contract by a director of the listed issuer with the listed issuer;

*Note: A director's service contract to which rule 17.90 applies is subject to independent shareholders' approval under that provision;*

#### *Consumer goods or consumer services*

- (7) the acquisition as consumer or realisation in the ordinary and usual course of business of consumer goods or consumer services by a listed issuer from or to a connected person of the listed issuer on normal commercial terms. Such goods and services:
- (a) must be of a type ordinarily supplied for private use or consumption;
  - (b) must be for the acquirer's own consumption or use, and not be processed into products of the acquirer or for resale or otherwise for the purpose of or in connection with any business or contemplated business of the acquirer (whether for consideration or otherwise);

*Note: Examples include utilities provided by a listed issuer to a connected person, meals consumed by a connected person at a restaurant owned by the listed issuer and the acquisition of groceries for its own use by a connected person from a listed issuer involved in the retailing of groceries.*

- (c) must be consumed or used by the acquirer in the same state as when they were acquired;
- (d) must be of a total consideration or value that is or represents less than 1% of the total revenue or total purchases, as the case may be, of the listed issuer as shown in its latest published audited accounts or, where consolidated accounts have been prepared, its latest published audited consolidated accounts; and
- (e) the transactions concerned must be on terms no more favourable to the connected person than those available to independent third parties or no less favourable to the listed issuer than those available from independent third parties (as the case may be); and

*Note: Listed issuers are encouraged to consult with the Exchange at an early stage to determine whether a transaction falls within the scope of this rule.*

*Sharing of administrative services*

- (8) the sharing of administrative services between a listed issuer and a connected person on a cost basis. The cost of the services must be identifiable and allocated to the parties involved on a fair and equitable basis. Examples include company secretarial services, legal services and staff training services.

# Chapter 24

## EQUITY SECURITIES

### OVERSEAS ISSUERS

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

*Annual report and accounts and auditors' report*

- 24.13 The annual accounts must be audited by a person, firm or company who must be a practising accountant of good standing ~~and~~. 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.

# Chapter 25

## EQUITY SECURITIES

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

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

*Annual report and accounts and auditors' report*

- 25.25 The annual accounts must be audited by a person, firm or company who must be a practising accountant of good standing ~~and~~. **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 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 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).

# Chapter 31

## DEBT SECURITIES

### CONTINUING OBLIGATIONS

#### Financial information

*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 ~~and~~. 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.

# Appendix 1

## CONTENTS OF LISTING DOCUMENTS

### Part A

#### Equity Securities

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

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

41. 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 Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, that fact shall be stated. *(Note 9)*

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.

# 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**

#### **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. (*Note 8*)



## Appendix 3

### ARTICLES OF ASSOCIATION

#### 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 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 ~~special-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.

## Appendix 9

### LISTING FEES, TRANSACTION LEVIES AND TRADING FEES ON NEW ISSUES AND BROKERAGE

#### 9. ~~Teletext-System~~ Charges

- (1) For the purpose of trading, one ~~teletext-security enquiry~~ page of the ~~Computer Trading Automatic Order Matching and Execution~~ System as installed in the Exchange shall be assigned for the use of the trading of listed securities of an issuer.
- (2) The issuer by reason of paying the prescribed annual listing fee is entitled to the use of up to one ~~teletext-security enquiry~~ page in the case of equity securities. However, an issuer is only entitled to a maximum of one free ~~teletext-security enquiry~~ page in the case of equity securities no matter how many classes of listed equity securities the issuer may have.
- (3) Where an issuer by reason of listing more than one class of equity securities occupies more than one ~~teletext-security enquiry~~ page, such issuer shall pay an additional ~~teletext~~ charge at a rate of HK\$2,000 per month or part thereof per additional ~~teletext-security enquiry~~ page used.
- (4) No charge is payable for the use of ~~teletext-security enquiry~~ pages for debt securities.
- (5) Debit notes will be issued in relation to any additional ~~teletext-system~~ charges which become payable during the year. Such charges will be payable in advance and are payable within seven days from receipt of the debit note.

# 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:—

#### 5. As to directors

- (1) The articles of association shall provide that directors may be removed at any time by special ordinary resolution of the members.
- (2) The articles of association shall restrict the making of loans to directors and their 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).