

Amendments to GEM Board Listing Rules

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

...

- “associate”**
- (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 such 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 ~~and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”); and~~
 - (iv) ~~a holding company of a trustee controlled company or a subsidiary of any such holding company; and~~ [Repealed 3 June 2010]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, ~~and/or any trustee interests~~ taken together are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary ~~or holding company or a fellow subsidiary of any such holding company~~; and

(b) in relation to a company means:—

- (i) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company ~~or one in the equity capital of which it and/or such other company or companies taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeover Codes as being 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~~;
- (ii) the trustees, acting in their capacity as such 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 any company ("trustee controlled company") in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the "trustee interests"); and~~
- (iii) ~~a holding company of a trustee controlled company or a subsidiary of any such holding company; and~~ [Repealed 3 June 2010]

- (iv) any other company in the equity capital of which the company, such other companies referred to in (b)(i) above, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, ~~and/or any trustee interests~~ taken together are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary ~~or holding company or a fellow subsidiary of any such holding company.~~

Notes: This definition is:—

1 modified in the context of:—

(a) connected transactions, by virtue of rules 20.11, ~~and~~ 20.12 and 20.12A; and

(b) 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;

...

**“connected person” or
“person connected”**

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

Note: This definition is modified for the purposes of Chapter 20 by virtue of the provisions of rules 20.11, ~~and~~ 20.12 and 20.12A.

...

“management shareholder” means any person who 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 issuer and who is (or are) able, as a practical matter, to direct or influence the management of the issuer;

Notes: 1 The Exchange will not ordinarily consider a shareholder with board representation, including but not limited to a professionally managed fund, as a management shareholder if it can be demonstrated that it does not actively participate in the management of the issuer’s business.

2 For the purposes of the GEM Listing Rules, a controlling shareholder will, in all cases, be deemed to be a management shareholder.

...

“significant shareholder” any person other than a management shareholder 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

...

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;

...

(e) any ~~management shareholder~~ or significant shareholder;

...

...

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) ...

...

- (6) is or was connected with a director, the chief executive, or a substantial shareholder ~~or management 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 ~~or management 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 ~~or management 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 ~~or management 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.

...

- 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) ...
- ...
- (4) ...

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]management shareholders and their associates (on an individually named basis);~~
- (b) directors and their associates (on an individually-named basis);
- (c) ...

...

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 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] For the purposes of the GEM Listing Rules, a controlling shareholder will, in all cases, be deemed to be a management shareholder.*~~

2 *Each of the documents referred to in this rule is required to set out the interests of directors, ~~management shareholders~~ and, in relation only to the initial listing document, substantial shareholders (including the interests of their respective 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, ~~management shareholder~~ 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, ~~management shareholders~~ and substantial shareholders and their respective associates in such entity.*

...

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) ...;

...

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, ~~management~~ controlling shareholders and their respective associates (as referred to in rule 11.04).*

...

...

Winding-up and liquidation

- 17.27 (1) An issuer shall inform the Exchange and make an announcement on the happening of any of the following events, as soon as the same shall come to the attention of the issuer:—
- (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 ~~major~~ 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 ~~major~~ subsidiary falling under rule 17.27(2);
 - (c) the passing of any resolution by the issuer, its holding company or any ~~major~~ 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;
- ...
- (2) ~~For the purposes of r~~Rule 17.27(1)(a), (b) and (c) will apply to a subsidiary of the issuer if, a “major subsidiary” means a subsidiary where the value of its that subsidiary’s total assets, profits or revenue represents 5% or more under any of the percentage ratios as defined under rule 19.04(9).

Notes: 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.

...

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) ...;

(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.

...

(a) ...

...

(e) relationships with any directors, senior management, ~~management shareholders~~, substantial shareholders, or controlling shareholders of the issuer;

...

...

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

...

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

...

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

...

Definitions

19.04 For the purposes of this Chapter:—

...

(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);

...

Preliminary

20.01 The connected transactions rules are intended to ensure that the interests of shareholders as a whole are taken into account by a listed issuer when the listed issuer enters into connected transactions. The rules set out in this Chapter also provide certain safeguards against listed issuers' directors, chief executives, ~~management shareholders~~ or substantial shareholders (or their associates) taking advantage of their positions.

...

Definition of connected person

20.11 Rule 1.01 contains a general definition of "connected person". In this Chapter, the definition of "connected person" includes:

- (1) a director, chief executive, or substantial shareholder ~~or management shareholder~~ of the listed issuer;
- (2) any person who was a director of the listed issuer within the preceding 12 months;
- (3) a ~~promoter~~ or supervisor of a PRC issuer;
- (4) any associate of a person referred to in rules 20.11 (1), (2) or (3). The definitions of "associate" (in the context of non-PRC issuers and PRC issuers) are contained in rules 1.01 and 25.04, respectively. In this Chapter, an "associate" of a person referred to in rules 20.11(1), (2) or (3) includes the following additional persons:
 - (a) ...
 - (b) (i) any person cohabiting as a spouse with, and any child, step-child, parent, step-parent, brother, sister, step-brother and step-sister of, a person referred to in rules 20.11(1), (2) or (3); and
(ii) a company which the party referred to in rule 20.11(4)(b)(i) 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; and
 - (c) (i) 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 person referred to in rules 20.11(1), (2) or (3); and
(ii) a company which the party referred to in rule 20.11(4)(c)(i) 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,

whose association with the person referred to in rules 20.11(1), (2) or (3) is such that, in the opinion of the Exchange, the proposed transaction should be subject to the requirements of this Chapter. Listed issuers must notify the Exchange of any proposed transaction with these parties unless the transaction is exempt under rules 20.31 or 20.33. Listed issuers must also provide information to the Exchange to demonstrate whether or not these parties should be regarded as associates of the person referred to in rules 20.11(1), (2) or (3);

Notes: 1. A company which is an “associate” of a person referred to in rules 20.11(1), (2) or (3) only because that person has an indirect interest in the company through its shareholding in the listed issuer is not a connected person.

2. ~~A non wholly owned subsidiary will not be regarded as an associate of a substantial shareholder of that non wholly owned subsidiary if such substantial shareholder is a connected person only by virtue of being a director of the non wholly owned subsidiary and/or is a substantial shareholder in the non wholly owned subsidiary concerned.~~
[Repealed 3 June 2010]

3. For the purpose of rules 20.11(4)(b)(ii) and 20.11(4)(c)(ii), the Exchange may aggregate the interests of a person referred to in rule 20.11(1), (2) or (3) and his relatives in a company to determine whether they together have a majority control over the company.

(5) any non wholly-owned subsidiary of the listed issuer where any 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 such non wholly-owned subsidiary; and

Notes: 1 ~~It follows that a non wholly owned subsidiary is not a connected person where:~~

(a) ~~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 such non wholly owned subsidiary; and~~

~~(b) the non wholly owned subsidiary is not an associate of a person referred to in rules 20.11(1), (2) or (3).~~

[Repealed 3 June 2010]

2 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.

(6) any subsidiaries of a non wholly-owned subsidiaries referred to in rule 20.11(5).

...

20.12A For the purpose of this Chapter,

(1) a non wholly-owned subsidiary will not be regarded as a connected person by virtue of being:

(a) a substantial shareholder of another subsidiary; or

(b) an associate of any connected persons (at the level of the issuer's subsidiaries only) as defined in rules 20.11(1) to (3); and

(2) the Exchange will not normally treat a PRC Governmental Body (see definition in rule 25.04) as a connected person of a listed issuer. If requested by the Exchange the issuer must make written representations to the Exchange explaining its legal, commercial or other relationships with the PRC Governmental Body and must satisfy the Exchange that it should not be treated as a connected person, or if the Exchange determines that it should be treated as a connected person, the issuer must agree to comply with any additional obligations arising from such treatment as may be requested by the Exchange.

Definition of connected transaction

20.13 A connected transaction is:

(1) (a) any transaction between a listed issuer and a connected person; or

Acquisition or disposal of interest in a company

(b) (i) any transaction between a listed issuer and a person who is not a connected person and the transaction involves the listed issuer acquiring or disposing of an interest in a company where a substantial shareholder ~~or management shareholder~~ of that company is, or is proposed to be, a controller or is (or will become as a result of the transaction) an associate of a controller. The Exchange may aggregate the interests of any person and his associates (as defined in rule 20.11(4)) in determining whether

together they are a “substantial shareholder” of any company. Where assets (as opposed to businesses) account for 90% or more of such a company’s net assets or total assets, the Exchange will treat the acquisition or disposal of such assets as a connected transaction and an acquisition or disposal of an interest in that company; or

Notes: 1 A listed issuer itself will not be considered an “associate” of a controller when the listed issuer is acquiring or disposing of an interest in a company of which it is already a substantial shareholder.

2 A controller whose only interest in a company is through its interest in the listed issuer will not be taken to be a “substantial shareholder” of that company.

3 This rule does not apply where all the following conditions are met:

(i) the listed issuer acquires an interest in a company;

(ii) the substantial shareholder of the company being acquired is a director, chief executive or controlling shareholder of the company being acquired (or an associate of such director, chief executive or controlling shareholder) immediately prior to the acquisition;

(iii) it is proposed that the substantial shareholder will remain a director, chief executive or controlling shareholder of the company being acquired (or an associate of such director, chief executive or controlling shareholder) following the acquisition; and

(iv) following the acquisition, the only reason why he is still a controller is that he remains a director, chief executive or controlling shareholder of the company being acquired (or an associate of such director, chief executive or controlling shareholder), as the case may be. Where he remains a controlling shareholder, there must not be any increase in his interest in such company as a result of the acquisition.

4 For a disposal of interest in a company, this rule does not apply if (i) the disposal falls within this rule only because the substantial shareholder of the company being disposed of is a director, chief executive or controlling shareholder of this company (or an associate of such director, chief executive or controlling shareholder) immediately prior to the disposal; and (ii) there is no change in the substantial shareholder's interest in such company as a result of the disposal or any related arrangement.

...

General rules

Categories

20.16 The categories of connected transactions are:

- (1) connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements (see rule 20.31);
- (2) connected transactions exempt from the independent shareholders' approval requirements (see rule 20.32);
- (3) continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements (see rule 20.33);
- (4) continuing connected transactions exempt from the independent shareholders' approval requirements (see rule 20.34); and
- (5) connected transactions, including continuing connected transactions, not falling under any of the categories set out in rules 20.16 (1) to (4).

20.17 Transactions falling under rule 20.16(5) are subject to the reporting, announcement and independent shareholders' approval requirements, and in the case of continuing connected transactions, the annual review requirements of this Chapter.

...

20.29 Certain types of continuing connected transactions, described in rule 20.33, are exempt from all disclosure, annual review and independent shareholders' approval requirements. The continuing connected transactions described in rule 20.34 are not required to be approved by independent shareholders but must in every case be disclosed by way of an announcement when the listed issuer enters into the transaction. The transaction must also be reported on in the listed issuer's subsequent published annual report and accounts

for the financial years during which the listed issuer undertakes the transaction pursuant to the relevant written agreement.

...

Connected transactions
(other than those involving financial assistance, the granting of options or
Qualified Property Acquisitions under a General Property Acquisition Mandate)
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) ...

Note: ...

(1A) a transaction between a listed issuer's non wholly-owned subsidiary referred to in rule 20.11(5) and any of its subsidiaries which are connected persons only by virtue of being the subsidiaries of the non wholly-owned subsidiary; or a transaction between any of these subsidiaries;

De minimis transactions

(2) a connected transaction on normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is/are:

(a) ~~each of the percentage ratios (other than the profits ratio) is less than 0.1 %; or~~

(b) less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the listed issuer by virtue of its/his relationship(s) with the issuer's subsidiary or subsidiaries;
or

~~(bc) each of the percentage ratios (other than the profits ratio) is equal to or more than 0.1% but less than 2.5-5 % 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 (other than its subsidiaries) to a connected person, which is governed by rule 20.31(3).*

...

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

(i) ~~not be~~ processed into products of the acquirer or for resale; or

(ii) ~~otherwise for the purpose of or in connection with any business or contemplated business of the acquirer (whether for consideration or otherwise), except for the case where the issuer is the acquirer and there is an open market and transparency in the pricing of these goods or services;~~

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, and utilities provided by a connected person to a listed issuer when the prices are published or publicly quoted and apply to other independent consumers.

(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.

...

Transactions with persons connected at the level of subsidiaries

- (9) a connected transaction on normal commercial terms where
- (a) the transaction is a connected transaction only because it involves a person who is a connected person of the listed issuer by virtue of its/his relationship(s) with the issuer's subsidiary or subsidiaries;
 - (b) the value of the relevant subsidiary's total assets, profits and revenue (or the aggregate value of the relevant subsidiaries' total assets, profits and revenue) represents
 - (i) less than 10% under the relevant percentage ratios as defined under rule 19.04(9) for each of the latest three financial years (or if less, the period since the incorporation or establishment of the subsidiary or subsidiaries); or
 - (ii) less than 5% under the relevant percentage ratios as defined under rule 19.04(9) for the latest financial year.

For this purpose, 100% of the subsidiary's or subsidiaries' total assets, profits and revenue will be used to calculate the relevant percentage ratios. Where any of the calculations of the percentage ratios produces an anomalous result, the Exchange may disregard the calculation and the listed issuer must provide alternative tests which it considers appropriate to the Exchange for consideration; and

- (c) if any relevant subsidiary (or any of its subsidiaries) is a party to the transaction or if the securities or assets of the relevant subsidiary (or any of its subsidiaries) are the subject of the transaction, the consideration ratio is less than 10%. This requirement will not apply if the transaction is of a revenue nature in the issuer's ordinary and usual course of business; and

Transactions with associates of a passive investor

- (10) a connected transaction of a revenue nature in the ordinary and usual course of the listed issuer's business and on normal commercial terms where
- (a) the transaction is a connected transaction only because it involves an associate (the "Relevant Associate") of a substantial shareholder of the listed issuer; and
 - (b) the substantial shareholder is a passive investor in the listed issuer and meets the following criteria:
 - (i) it is a sovereign fund, or a unit trust or mutual fund authorised by the Commission or an appropriate overseas authority;

- (ii) it has a wide spread of investments other than the securities of the listed issuer and the Relevant Associate;
- (iii) it and the Relevant Associate are connected persons only because it is a substantial shareholder of the listed issuer;
- (iv) it is not a controlling shareholder of the listed issuer;
- (v) it does not have any representative on the board of directors of the listed issuer, and is not involved in the management of the listed issuer (including any influence over the listed issuer's management through negative control e.g. its veto rights on material matters of the listed issuer); and
- (vi) it is independent of the directors, chief executive, controlling shareholder(s) and any other substantial shareholder(s) of the listed issuer.

Connected transactions (~~other than those involving financial assistance, the granting of options or Qualified Property Acquisitions under a General Property Acquisition Mandate~~) exempt from the independent shareholders' approval requirements

20.32 A connected transaction on normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is/are:

- (1) ~~each of the percentage ratios (other than the profits ratio) is less than 2.5~~ 5%; or
- (2) ~~each of the percentage ratios (other than the profits ratio) is equal to or more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000~~

is only subject to the reporting and announcement requirements set out in rules 20.45 to 20.47 and is exempt from the independent shareholders' approval requirements of this Chapter.

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

Continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements

20.33 The following continuing connected transactions will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of this Chapter:

...

- (2) ...; and

De minimis transactions

- (3) a continuing connected transaction on normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is/are on an annual basis:
- (a) ~~each of the percentage ratios (other than the profits ratio) is on an annual basis less than 0.1%; or~~
 - (b) less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the issuer by virtue of its/his relationship(s) with the issuer's subsidiary or subsidiaries; or
 - (b) ~~c) each of the percentage ratios (other than the profits ratio) is on an annual basis equal to or more than 0.1% but less than 2.5% and the annual consideration is less than HK\$1,000,000;~~

Transactions with persons connected at the level of subsidiaries

- (4) a continuing connected transaction that meets the requirements in rule 20.31(9); and

Transactions with associates of a passive investor

- (5) a continuing connected transaction that meets the requirements in rule 20.31(10).

Notes: 1. When a connected person no longer meets the conditions under rule 20.33(4) or 20.33(5), the issuer must, subject to Note 2 to rule 20.33, comply with all applicable reporting, annual review, announcement and independent shareholders' approval requirements for its subsequent continuing connected transactions with the connected person.

2. If the connected person no longer meets the conditions under rule 20.33(4) or 20.33(5) during the term of an agreement for continuing connected transactions, the issuer is only required to comply with the applicable reporting, annual review and announcement requirements if:

(a) the agreement is for a fixed period with fixed terms; and

(b) the exemption under rule 20.33(4) or 20.33(5) applies at the time of the agreement.

Issuers are encouraged to consult the Exchange on the application of this Note.

**Continuing connected transactions
exempt from independent shareholders' approval requirements**

20.34 A continuing connected transaction on normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is/are on an annual basis:

- (1) ~~on an annual basis~~ less than ~~2.55%~~; or
- (2) ~~on an annual basis equal to or more than 2.5% but~~ less than 25% and the annual consideration is less than HK\$10,000,000

is only subject to the reporting and announcement requirements set out in rules 20.45 to 20.47, the annual review requirements set out in rules 20.37 to 20.40 and the requirements set out in rules 20.35(1) and 20.35(2). It is exempt from the independent shareholders' approval requirements of this Chapter.

Non-exempt continuing connected transactions

20.35 When an issuer enters into a continuing connected transaction not falling under rule 20.33, it must:

- (3) ...; ~~and~~
- (4) ...; and
- (5) comply with the annual review requirements described in rules 20.37 to 20.40.

...

Annual review of continuing connected transactions

20.37 When an issuer enters into a continuing connected transaction not falling under rule 20.33, each ~~Each~~ year the independent non-executive directors of the listed issuer must review the continuing connected transactions and confirm in the annual report and accounts that the transactions have been entered into:

- (1) ...

...

20.38 When an issuer enters into a continuing connected transaction not falling under rule 20.33, each ~~Each~~ year the auditors must provide a letter to the listed issuer's board of directors (with a copy provided to the Exchange at least 10 business days prior to bulk printing of the listed issuer's annual report), confirming that the continuing connected transactions:

- (1) ...

...

- 20.41 Where a listed issuer has entered into an agreement involving continuing transactions and such transactions subsequently become continuing connected transactions for whatever reason (e.g. due to a party becoming a director of the listed issuer), the listed issuer must, immediately upon it becoming aware of this fact, comply with all applicable reporting, annual review and disclosure requirements of this Chapter in respect of all such continuing connected transactions. Upon any variation or renewal of the agreement, the listed issuer must comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements of this Chapter in respect of all continuing connected transactions effected after such variation or renewal.

Financial assistance

...

Exempt from reporting, announcement and independent shareholders' approval requirements

- 20.65 The following connected transactions are exempt from the reporting, announcement and independent shareholders' approval requirements of this Chapter:

- (1) financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person, or any company falling under rule 20.13(2)(a)(ii), on normal commercial terms (or better to the listed issuer);
- (2) financial assistance provided by a listed issuer for the benefit of a connected person or a company falling under rule 20.13(2)(a)(ii):
 - (a) in the ordinary and usual course of business of the listed issuer but not on normal commercial terms (or better to the listed issuer); or
 - (b) not in the ordinary and usual course of business but on normal commercial terms (or better to the listed issuer),

and where each or all of the percentage ratios (other than the profits ratio) is/are:
(i) each of the percentage ratios (other than the profits ratio) is less than 0.1%; (ii) less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the issuer by virtue of its/ his relationship(s) with the issuer's subsidiary or subsidiaries; or (iii) ~~each of the percentage ratios (other than the profits ratio) is equal to or more than 0.1% but less than 2.5 5 % and the total value of the assistance plus any preferential benefit to the connected person, or a company falling under rule 20.13(2)(a)(ii), is less than HK\$1,000,000;~~

- (3) financial assistance provided by a listed issuer for the benefit of a connected person in which the listed issuer is a shareholder, or any company falling under rule 20.13(2)(a)(ii):
 - (a) ~~in the ordinary and usual course of business of the listed issuer but not on normal commercial terms and where (i) each of the percentage ratios (other than the profits ratio) is less than 0.1% or (ii) 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 value of the assistance plus any~~

~~preferential benefit to the relevant company is less than HK\$1,000,000;
or~~

(b) — not in the ordinary and usual course of business but on normal commercial terms (or better to the listed issuer), provided that:

(i) — the assistance being provided is in proportion to the listed issuer's equity interest in the connected person or the company falling under rule 20.13(2)(a)(ii). In addition, any guarantees given by the listed issuer must be on a several (and not a joint and several) basis; or

(ii) — ~~the assistance being provided is not in proportion to the listed issuer's equity interest in the company or the guarantees given by the listed issuer are not on a several basis (whether on a joint and several basis, or otherwise), and (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 value of the assistance plus any preferential benefit to the relevant company is less than HK\$1,000,000; or~~

(4) ...

Exempt from independent shareholders' approval requirements

20.66 The following connected transactions are only subject to the reporting and announcement requirements set out in rules 20.45 and 20.46 and rule 20.47 respectively:

(1) financial assistance provided by the listed issuer in the ordinary and usual course of business for the benefit of a connected person, or any company falling under rule 20.13(2) (a)(ii), not on normal commercial terms (or better to the listed issuer), where each or all of the percentage ratios (other than the profits ratio) is/are: (i) each of the percentage ratios (other than the profits ratio) is less than 2.5 5 %; or (ii) each of the percentage ratios (other than the profits ratio) is equal to or more than 2.5% but less than 25% and the total value of the assistance plus any preferential benefit to the connected person or the relevant company is less than HK\$10,000,000; or

(2) financial assistance provided by the listed issuer not in the ordinary and usual course of business but on normal commercial terms (or better to the listed issuer) for the benefit of:

(a) a connected person ; or

(b) any company falling under rule 20.13(2)(a)(ii) if the assistance being provided is not in proportion to the listed issuer's equity interest in the relevant company or any guarantees given by the listed issuer are not on a several basis,

and ~~each or all of the percentage ratios (other than the profits ratio) is/are:~~ (i) ~~each of the percentage ratios (other than the profits ratio) is less than 2.5 5 %;~~ or (ii) ~~each of the percentage ratios (other than the profits ratio) is equal to or more than 2.5% but less than 25%~~ and the total value of the assistance plus any preferential benefit to the connected person or the relevant company is less than HK\$10,000,000.

...

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) ...
 - ...
 - (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 associates 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).

“Associate” for this purpose shall have the meaning ascribed to it in rule 1.01 in relation to any director, chief executive, or substantial shareholder ~~or management shareholder~~ (being an individual).

Granting options to a director, chief executive, ~~management shareholder~~ 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, ~~management shareholder~~ 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. All connected persons of the listed issuer must abstain from voting in favour at such general meeting.

...

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, ~~management shareholders~~ 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) ...

...

25.04 In this Chapter

- (1) the term "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 such 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 ~~and any company (“trustee controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);~~
- (iv) ~~a holding company of a trustee controlled company or a subsidiary of any such holding company; [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, ~~and/or any trustee interests~~ taken together are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary ~~or holding company or a fellow subsidiary of any such holding 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, ~~and/or any trustee interests~~ 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, ~~and/or any trustee interests~~ taken together directly or indirectly have 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 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) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company ~~or one in the equity capital of which it and/or such other company or companies taken together are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors;~~
- (ii) the trustees, acting in their capacity as such 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 any company ("trustee controlled company") in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the "trustee interests");~~
- (iii) ~~a holding company of a trustee controlled company or a subsidiary of any such holding company;~~ [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, such other companies referred to in (b)(i) above, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, ~~and/or any trustee interests~~ taken together are directly or indirectly interested so as 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, or to control the composition of a majority of the board of directors and any other company which is its subsidiary ~~or holding company or a fellow subsidiary of any such holding company~~; and
- (v) any other company with which or any individual with whom the company, such other companies referred to in (b)(i) above, and or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, ~~and/or any trustee interests~~ 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, such other companies referred to in (b)(i) above, and/or any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, ~~and/or any trustee interests~~ taken together directly or indirectly have 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 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,

Notes: 1 This definition is modified in the context of connected transactions by virtue of rules 20.11, ~~and~~ 20.12 and 20.12A.

Note 2: ...

...

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

...

54. Information:

- (1) as required by rule 6A.10(2) regarding interests of the Sponsor and its directors, employees and associates; and
- (2) as to the interests of all directors, ~~management~~ controlling shareholders and substantial shareholders of the issuer and their respective associates (as referred to in rule 11.04). (Note 9)

...

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

...

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

...

Appendix 1

CONTENTS OF LISTING DOCUMENTS

Part C

Debt Securities

In the case where listing is sought for debt securities

...

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

...

Appendix 5

FORMS RELATING TO LISTING

FORM D

Marketing statement (concerning a placing of equity securities)

...

C ANALYSIS OF DISTRIBUTION

10.		Number of holders	Amount or number of securities	% of placing
	By the undersigned to: (Note 5)			
	(1) Connected clients (as defined in Note 2 to rule 10.12 of the GEM Listing Rules)
	(2) Directors/ management <u>shareholders/</u> substantial shareholders and significant shareholders * of the issuer and their respective associates (*significant shareholders in respect only of an initial public offer)
	(3) ...			