

Amendments to GEM Listing Rules

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“INTERPRETATION

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

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“China Accounting Standards for Business Enterprises” or “CASBE”

financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance

“China Auditing Standards” or “CAS”

standards and interpretations issued by the China Auditing Standards Board of the China Ministry of Finance

“Hong Kong Financial Reporting Standards” or “HKFRS”

financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They comprise (i) Hong Kong Financial Reporting Standards, (ii) Hong Kong Accounting Standards (~~formerly Statement of Standard Accounting Practice~~), and (iii) Interpretations

“International Financial Reporting Standards” or “IFRS”

financial reporting standards and interpretations approved by the International Accounting Standards Board (“IASB”), and includes all International Accounting Standards (“IAS”) and interpretations issued under the former International Accounting Standards Committee (“IASC”) from time to time

“International Standards on Auditing” or “ISA”

standards and interpretations issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants

“practising accountant”

an individual, firm or company qualified for appointment as an auditor or reporting accountant of a company

“reporting accountant”

the professional accountant or practising accountant who is responsible for the preparation of the accountants’ report included in a listing document or circular in accordance with Chapter 7

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Reporting accountants

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

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Specific detail concerning financial information

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7.04 ...

(4) Segment information

The income statement and balance sheet shall, in addition to that information required by (1) to (2) immediately above, include segmental ~~the~~ information required by the accounting standards adopted for the preparation of its annual financial statements:—

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

Note: 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.

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Requirements applicable in all cases

7.08 ...

- (5) the accountants' report must be dated.

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Disclosure

7.11 The information to be disclosed in respect of rules 7.03, 7.09 and 7.10 must be in accordance with best practice which is at least that required to be disclosed in respect of those specific matters in the accounts of a company under the Companies Ordinance and ~~Hong Kong Financial Reporting Standards (HKFRS), or IFRS International Financial Reporting Standards~~ CASBE in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements and, in the case of banking companies, the Financial Disclosure by Locally Incorporated Authorized Institutions issued by the Hong Kong Monetary Authority.

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:-

- (a) Hong Kong Financial Reporting Standards (HKFRS); or
- (b) International Financial Reporting Standards (IFRS); or-
- (c) China Accounting Standards for Business Enterprises (CASBE) in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

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

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11.12A(1) ...

Note: A statement of cash flow prepared using the indirect method for submission to the Exchange for the purpose of satisfying rule 11.12A must also be included in the prospectus for disclosure purpose, if it is not already included in the accountants' report. Details regarding cash flow statements prepared under the indirect method are further described under ~~Hong Kong Accounting Standard 7. the relevant accounting standard dealing with cash flow statements in accordance with HKFRS, IFRS or CASBE.~~

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FINANCIAL INFORMATION

Accounting standards

18.04 Annual accounts of a listed issuer are required, subject to rule 18.05 and rule 18.06, to conform with ~~either Hong Kong Financial Reporting Standards or International Financial Reporting Standards~~ HKFRS, IFRS or CASBE in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

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

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

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- (2) a listed issuer already listed on the Exchange which subsequently obtains a listing on the New York Stock Exchange or the Nasdaq National Market of the United States of America and thereafter adopts US GAAP in place of ~~either~~ of the standards referred to in rule 18.04 in the preparation of its annual accounts will be required to compile a statement of the financial effect of material differences from ~~either~~ of the standards referred to in rule 18.04 in the first annual accounts in which US GAAP is adopted;
- (3) a listed issuer which was permitted to adopt US GAAP on the basis that it is listed on the New York Stock Exchange or the Nasdaq National Market of the United States of America but is no longer so listed, will be required to revert to ~~either~~ one of the relevant standards referred to in rule 18.04 for financial reporting purposes; and
- (4) a listed issuer whose principal activity is property development and/or investment may not adopt US GAAP for financial reporting purposes.

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

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Information to accompany directors' reports and annual accounts

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18.08 A listed issuer shall include in its financial statements the segmental information required by the accounting standards adopted for the preparation of its annual financial statements:—

- (1) ~~Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with Hong Kong Financial Reporting Standards (HKFRS); or~~
- (2) ~~International Accounting Standard 14 reporting financial information by segment if it prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRS); or~~
- (3) ~~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; or~~
- (4) China Accounting Standards for Business Enterprises (CASBE).

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18.09 ...

- (3) Where a listed issuer includes in its annual report particulars of a related party transaction or continuing related party transaction (as the case may be) in accordance with applicable accounting standards adopted for the preparation of its annual financial statements ~~the Statement of Standard Accounting Practice “Related Party Disclosures” or Hong Kong Accounting Standard “Related Party Disclosures”, as appropriate, issued by the Hong Kong Institute of Certified Public Accountants or applicable International Financial Reporting Standards~~, a statement as to whether or not the transaction falls under the definition of “connected transaction” or “continuing connected transaction” (as the case may be) in Chapter 20. The listed issuer must also confirm whether or not it has complied with the disclosure requirements in accordance with Chapter 20.

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18.20 A statement as to the reasons for any significant departure from accounting standards ~~approved by the Hong Kong Institute of Certified Public Accountants, if the relevant accounts are drawn up in accordance with Hong Kong Financial Reporting Standards, or the International Accounting Standards Board, if the relevant accounts are drawn up in accordance with International Financial Reporting Standards~~ adopted by the listed issuer for the preparation of its annual financial statements.

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Additional Disclosure for Financial Conglomerates

18.37A ...

(4) ...

(b) Segmental information

Where a geographical segment of the financial business represents 10% or more of the listed issuer's whole business, then that segment should be further analysed.

Notes: 1 Listed issuers should provide the information as required by paragraph 18.37(A)(1)(j) in accordance with rule 18.08.

2 For disclosure purposes, listed issuers may use different terms to those prescribed in rules 18.37A(2)(b) and (d) provided that the meaning of alternative terms is made clear and the accounting treatment adopted conforms to the requirements to disclose segmental information under the accounting standards adopted by the issuers for the preparation of its annual financial statements set out in accordance with:

(a) ~~Statement of Standard Accounting Practice 24 "Accounting for investment in securities" if the listed issuer prepares its financial statements in accordance with Hong Kong Financial Reporting Standards (HKFRS); or~~

(b) ~~International Accounting Standards 32 "Financial Instruments: Disclosure and Presentation" and 39 "Financial Instruments: Recognition and Measurement" if the listed issuer prepares its financial statements in accordance with International Financial Reporting Standards (IFRS); or~~

(c) ~~the relevant accounting standards dealing with accounting treatment for investment in securities in the Generally Accepted Accounting Principles in the United States of America (US GAAP) if the listed issuer prepares its financial statements in accordance with US GAAP; or~~

(d) China Accounting Standards for Business Enterprises (CASBE).

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Content of Preliminary Announcement

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18.50B ...

(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 segmental information required by the accounting standards adopted by the issuer for the preparation of its annual financial statements:—

- (a) ~~Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with Hong Kong Financial Reporting Standards (HKFRS); 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 (IFRS); 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.; or~~
- (d) China Accounting Standards for Business Enterprises (CASBE).

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Content of half-year reports

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(9) ...

Notes: 1

An issuer ~~that prepares its annual financial statements in accordance with Hong Kong Financial Reporting Standards should comply with Statement of Standard Accounting Practice 25 “Interim Financial Reporting”~~ the relevant standard on interim reporting in respect of its half-year reports in accordance with the requirements under HKFRS, IFRS, US GAAP or CASBE which is adopted for the preparation of its annual financial statements. An issuer that prepares its annual financial statements in accordance with International Financial Reporting Standards should comply with International Accounting Standard 34 “Interim Financial Reporting” in respect of its half-year reports.

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Banking companies

18.80 ...

(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 segmental information required by the accounting standards adopted for the preparation of its annual financial statements:—

- (a) ~~Statement of Standard Accounting Practice 26 segment reporting if it prepares its annual financial statements in accordance with Hong Kong Financial Reporting Standards (HKFRS); 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 (IFRS); 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; or~~
- (d) China Accounting Standards for Business Enterprises (CASBE).

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Definitions

19.04 For the purposes of this Chapter:-

(1) ...

Note 2(b) property development activity is being reported as a separate and continuing ~~business~~ segment (if not the only segment) in the issuer's latest published financial statements; and

- 2(c) *the issuer's format for reporting segmental information ~~is in business segments~~, and its latest published annual financial statements have fully complied with the requirements of ~~Hong Kong Accounting Standard 14 or International Accounting Standard 14, as appropriate, which require, amongst others,~~ relevant accounting standards adopted for the preparation of its annual financial statements on reporting of segment revenue and segment expense.*

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Considerations

19.15 When calculating the consideration ratio:—

- (1) the value of the consideration shall be the fair value of the consideration determined at the date of the agreement of the transaction in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements, Hong Kong Financial Reporting Standards, or International Financial Reporting Standards. Normally, the fair value of the consideration should be the same as the fair value of the asset which is the subject of the transaction. Where there is a significant disparity between the fair value of the consideration and the fair value of the asset, the listed issuer must use the higher of the fair value of the consideration and the fair value of the asset as the numerator of the consideration ratio;

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Figures used in total assets, profits and revenue calculations

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19.17 The profits (see rule 19.13) and revenue (see rule 19.14) figures to be used by a listed issuer for the basis of the profits ratio and revenue ratio must be the figures shown in its accounts. Where a listed issuer has discontinued one or more of its operating activities during the previous financial year and has separately disclosed the profits and revenue from the discontinued operations in its accounts in accordance with applicable accounting standards adopted for the preparation of its annual financial statements, Hong Kong Financial Reporting Standards, or International Financial Reporting Standards, the Exchange may be prepared to accept the exclusion of such profits and revenue for the purpose of the profits ratio and revenue ratio respectively.

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19.19 In calculating total assets, the Exchange may require the inclusion of further amounts where contingent assets are involved.

Note: Contingent assets normally refer to assets that will have to be acquired by a listed issuer pursuant to an agreement upon occurrence or non-occurrence of certain event(s) after the listed issuer has entered into the agreement. Such event(s) is/are normally beyond the control of the listed issuer and the parties to the transaction. Contingent assets must be determined in accordance with applicable accounting standards adopted for the preparation of the listed issuer's annual financial statements, Hong Kong Financial Reporting Standards or International Financial Reporting Standards.

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Very substantial disposal circulars

19.68 A circular issued in relation to a very substantial disposal must contain:—

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(2) (a) on a disposal of a business, company or companies:

(i) financial information of either:

(A) the business, company or companies being disposed of; or

(B) the listed issuer's group with the business, company or companies being disposed of shown separately as (a) disposal group(s) or (a) discontinuing operation(s),

for the relevant period (as defined in the note to rule 7.05(1)(a)). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity.

The financial information must be reviewed by the listed issuer's auditors or reporting accountants according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditors or reporting accountants and details of any qualifications or modifications in the review report; and

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

Preliminary

25.01 ...

(3) The purpose of this Chapter is to clarify that the GEM Listing Rules apply as much to PRC issuers as they do to Hong Kong and other overseas issuers, subject to the additional requirements, modifications and exceptions set out or referred to in this Chapter. Among such requirements are that (a) PRC issuers are expected to present their annual accounts in accordance with HKFRS, IFRS or CASBE; (b) the articles of association of PRC issuers must contain provisions which will reflect the different nature of domestic shares and overseas listed foreign shares (including H shares) and the different rights of their respective holders; and (c) disputes involving holders of H shares and arising from a PRC issuer's articles of association, or from any rights or obligations conferred or imposed by the Company Law and any other relevant laws and regulations concerning the affairs of the PRC issuer, are to be settled by arbitration in either Hong Kong or the PRC at the election of the claimant.

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Annual report and accounts and auditors' report

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25.25 ...

- (2) a firm of practising accountants acceptable to the Exchange which has an international name and reputation and is a member of a recognised body of accountants; or
- (3) a firm of practising accountants acceptable to the Exchange which is a joint venture approved or otherwise permitted by the China Securities Regulatory Commission or other competent authority in the PRC to act as an auditor of a listed company in the PRC and at least one of whose principal joint venture partners is either qualified under (1) or acceptable under (2); or
- (4) a firm of practising accountants which has been approved by the China Ministry of Finance and the China Securities Regulatory Commission as being suitable to act as an auditor or a reporting accountant for a PRC incorporated company listed in Hong Kong.

25.26 The accounts must be audited to a standard comparable to that required ~~by the~~ in Hong Kong Institute of Certified Public Accountants or by the International Auditing and Assurance Standards Board of the International Federation of Accountants or under International Standards on Auditing or China Auditing Standards.

25.27...

- (2) in the case where consolidated accounts are prepared, of the state of affairs, the profit or loss and the cash flows of the issuer and the group of which the issuer is the holding company.

25.28 The report of the auditors must indicate the act, ordinance or other legislation in accordance with which the annual accounts have been drawn up and the authority or body whose auditing standards have been applied.

25.29 If the PRC issuer is not required to draw up its accounts so as to give a true and fair view but is required to draw them up to an equivalent standard, the Exchange may allow its accounts to be drawn up to that standard. Reference must, however, be made to the Exchange.

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25.44 References in Chapter 19 to an issuer's "accounts" shall mean, in the case of a PRC issuer, the latest published audited accounts or consolidated accounts of such PRC issuer which have been prepared in accordance with ~~either Hong Kong Financial Reporting accounting sStandards, or International accounting Financial Reporting sStandards~~ or China Accounting Standards for Business Enterprises as provided for in rule 18.04.

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CONTINUING OBLIGATIONS

Accounting standards

- 31.40 Annual accounts of a listed issuer are required, ~~subject to rule 18.05,~~ to conform with ~~either Hong Kong Financial Reporting Standards, or International Financial Reporting Standards~~ the requirements as to accounting standards set out in rules 18.04 to 18.06.

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Annual report and accounts and auditors' report

- 31.43 The accounts must be audited to a standard comparable to that required ~~by the in Hong Kong Institute of Certified Public Accountants or by the International Auditing and Assurance Standards Board of the International Federation of Accountants~~ or under International Standards on Auditing or China Auditing Standards.

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Information to accompany directors' report and annual accounts

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- 31.56 A statement as to the reasons for any significant departure from the accounting standards adopted for the preparation of the issuer's annual financial statements, Hong Kong Financial Reporting Standards, or International Financial Reporting Standards.

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