

New GEM Chapter 20 – Table of derivation

(The new Rules will become effective on 1 July 2014.)

New Rules	Current Rules	Comments
INTRODUCTION		
20.01	20.01	
20.02	20.04, 20.10(13)	
20.03	20.02, 20.37, 20.38	
20.04	20.03, 20.07	
20.05	-	[New] Clarify the status of diagrams contained in this Chapter.
DEFINITIONS		
20.06(1)	-	[New] Define “30%-controlled company”.
20.06(2)	-	[New] Define “associate” (see the new Rules 20.10 to 20.13)
20.06(3)	20.10(1)	
20.06(4)	-	[New] Define “cap” (see the new Rule 20.51)
20.06(5)	20.43(2) - Note 1	
20.06(6)	-	[New] Define “commonly-held entity” (see the new Rule 20.25)
20.06(7)	20.11	
20.06(8)	-	[New] Define “connected person at the issuer level”.
20.06(9)	-	[New] Define “connected person at the subsidiary level”.
20.06(10)		[New] Define “connected subsidiary” (see the new Rule 20.14)
20.06(11)	20.13	See comments on the new Rules 20.21 to 20.28.
20.06(12)	20.14	
20.06(13)	20.10(3)	[Adopt Consultation Proposal E(a)] Exclude directors, chief executives and controlling shareholders of the issuer’s subsidiaries from the definition of “controller”.
20.06(14)	19.29	
20.06(15)	-	[New] Define a company “directly held” by an individual or an entity.
20.06(16)	-	[New] Define “family member” (see the new Rule 20.10(2)(a))
20.06(17)	20.10(4)	See comments on the new Rule 20.22(4).
20.06(18)	-	[New] Define “immediate family member” (see the new Rule 20.10(1)(a))
20.06(19)	-	[New] Define a company “indirectly held” by an individual or an entity.

New Rules	Current Rules	Comments
20.06(20)	-	<i>[New]</i> Define “insignificant subsidiary” (see the new Rule 20.08)
20.06(22)	1.01	
20.06(21)	20.10(6)	<i>[Modify]</i> Replace “listed issuer” with “listed issuer’s group”.
20.06(23)	-	<i>[New]</i> Definition of “majority-controlled company”.
20.06(24)	2.26, 2.27	
20.06(25)	19.12	
20.06(26)	20.10(8)	<i>[Modify]</i> Replace “normal commercial terms” with “normal commercial terms or better” to reflect the meaning of the term.
20.06(27)	20.67	
20.06(28)	20.10(9)	
20.06(29)	-	<i>[New]</i> Define “passive investor” (see the new Rule 20.98)
20.06(30)	20.10(10)	
20.06(31)	25.04(2)	
20.06(32)	19.61	
20.06(33)	20.10(10A)	
20.06(34)	20.10(10B)	
20.06(35)	20.10(10C)	
20.06(36)	20.10(11)	
20.06(37)	-	<i>[New]</i> Define “relative” (see the new Rule 20.19(1)(a))
20.06(38)	20.10(4)&(13), 20.13(5)&(6), 20.68, 20.70(3)	
20.06(39)	-	<i>[New]</i> Define “trustees” (see the new Rule 20.10(1)(b) or 20.11(2))
DEFINITION OF CONNECTED PERSON		
20.07(1)	20.11(1)	
20.07(2)	20.11(2)	
20.07(3)	20.11(3)	
20.07(4)	20.11(4)	
20.07(5)	20.11(5) and (6)	
20.07(6)	20.06	
Exceptions		
20.08	20.31(9), 20.33(4)	<i>[Adopt Consultation Proposal C(1)]</i> Exempt persons connected with insignificant subsidiaries from the definition of “connected person”, rather than exempt transactions with these persons.
20.09	20.12A(2), 25.14	

New Rules	Current Rules	Comments
Definition of associate		
20.10(1)(a)	1.01- (a)(i)&(ii), 25.04(1)-(a)(i)&(ii)	
20.10(1)(b)	1.01- (a)(iii), 25.04(1)-(a)(iii)	<i>[Adopt Consultation Proposal C(2) with modification]</i> Exempt trustees of an employees' share scheme or occupational pension scheme established for a wide scope of participants and where the connected persons' aggregate interests in the scheme are less than 30%.
20.10(1)(c)	1.01- (a)(v), 25.04(1)-(a)(v)	
20.10(2)(a)	20.11(4)(b)(i)	
20.10(2)(b)	20.11(4)(b)(ii), 20.11(4)-Note 3	
20.11(1)	1.01- (b)(i), 25.04(1)-(b)(i)	
20.11(2)	1.01- (b)(ii), 25.04(1)-(b)(ii)	
20.11(3)	1.01- (b)(iv), 25.04(1)-(b)(iv)	
20.12	20.11(4) – Note 1	<i>[Adopt Consultation Proposal C(3)]</i> A 30%-controlled company will not be regarded as an associate of a person if the person's and his associates' interests in the company, other than those indirectly held through the group, are together less than 10%.
20.13	25.04(1)-(b)(v)	
Definition of connected subsidiary		
20.14	20.11(5) & (6)	
20.15	20.31(1A)	
20.16(1)	20.12	
20.16(2)	20.12A(1)(a)&(b)	
Deemed connected persons		
20.17	20.06	
20.18	20.11(4)(a)	
20.19	20.11(4)(c), 20.11(4) – Note 3	
20.20	20.11(4)(c)	Drafting changes to clarify the requirement for issuers to notify the Exchange of transactions under the new Rule 20.18(1) <i>[current Rule 20.11(4)(a)]</i> .
WHAT ARE CONNECTED TRANSACTIONS		
20.21	20.13, 20.04	

New Rules	Current Rules	Comments
20.22	20.10(4)&(13), 20.13(5)&(6), 20.68, 20.70(3)	Drafting changes to clarify the scope of financial assistance under the new Rule 20.22(4).
Transactions with connected persons		
20.23	20.13(1)(a), 20.13(2)(a)(i), 20.13(2)(b)(i), 20.13(3) to (6)	
Transactions with third parties		
20.24	20.13(2)(a)(ii), 20.13(2)(b)(ii) 20.13(3), 20.13(4)	
20.25	20.13(2)(a)(ii), 20.13(2)(b)(ii)	
20.26, 20.26 - Note	20.10(3), 20.13(1)(b)(i)	<i>[Adopt Consultation Proposals E(a) and (b)]</i> Exclude (1) transactions relating to connected persons at the subsidiary level and (2) disposal transactions.
20.27	20.13(1)(b)(i)	
20.28	20.13(1)(b)(i) – Notes 1 & 2	
Definition of continuing connected transaction		
20.29	20.14	
REQUIREMENTS FOR CONNECTED TRANSACTIONS		
20.30, 20.31	20.16, 20.17, 20.42	
Written agreement		
20.32	20.04, 20.35(1)	
Announcement		
20.33	20.47(2), 20.56	
20.33 - Note	-	<i>[New]</i> Codify current practice in relation to termination of a transaction, material variation of terms of a transaction and material delay in completion of a transaction.
Shareholders' approval		
20.34	20.02, 20.18, 20.52, 20.54	
20.35	20.43, 20.53	
20.36	20.43 – Note 2	
20.37	20.21	
<i>Independent board committee</i>		
20.38	17.47(6), (7)	<i>[Adopt Consultation Proposal H]</i> Specify that the independent board committee must also opine on whether the connected transaction is on normal

New Rules	Current Rules	Comments
		commercial terms and in the group's ordinary and usual course of business.
20.39	17.47(6)(c)	
20.40	17.47(6)(c), 20.58(3) – Note	
20.41	17.47(7)(a), 20.58(3)(c)	
<i>Independent financial adviser</i>		
20.42	17.47(6)(b), 20.23	
20.43	17.47(6)(b), 17.47(7)(b), 20.22, 20.58(3)(d)	
Circular		
20.44	20.49(a) and (b)	
20.45	20.47A, 20.56(10) – Note	
<i>Supplementary circular or announcement</i>		
20.46	20.49	
Annual reporting		
20.47	20.45, 20.46	
Requirements for continuing connected transactions		
20.48	20.15	
<i>Terms of an agreement</i>		
20.49	20.35(1)	
20.50	20.35(1)	
<i>Annual cap</i>		
20.51(1)	20.35(2)	
20.51(2)	20.35(2)	
20.51(3)	20.52	
<i>Changes to cap or terms of agreement</i>		
20.52	20.36	[Modify] Add a note to clarify the calculation of size tests for changes to annual cap or terms of agreement.
<i>Annual review by independent non-executive directors and auditors</i>		
20.53	20.37	
20.54	20.38	[Adopt Consultation Proposal F(3)] Align with the wordings of the Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants.
20.55	20.38	
20.56	20.39	
20.57	20.40	
<i>When a continuing transaction subsequently becomes connected</i>		
20.58	20.41, 20.33- Notes 1 & 2	

New Rules	Current Rules	Comments
Other requirements relating to connected transactions		
<i>Options</i>		
20.59	20.69(1)	
20.59(1)	20.69(2), 20.69(3)(c)	
20.59(2)	20.69(3)(a) and (b)	
<i>Guaranteed profits or net tangible assets</i>		
20.60, 20.61	20.57, 20.59(11)	
<i>When a proposed transaction becomes connected</i>		
20.62, 20.63	20.08, 20.60, 20.61, 20.62	
<i>Checklist</i>		
20.64	20.09	
CONTENT REQUIREMENTS		
20.65	-	Introductory paragraph for the section “Content requirements”.
Announcements		
20.66(1)	20.56(1)	
20.66(2)	20.56(2)	
20.66(3)	20.56(1)	
20.66(4)	20.56(4), 20.35(2)	<i>[Modify]</i> Codify current practice to require disclosure of the basis for calculating the payments to be made contained in the agreement (see the new Rule 20.49 <i>[current Rule 20.35(1)]</i>).
20.66(5)	20.56(5)	
20.66(6)	20.56(6)	
20.66(7)	20.56(8)	
20.66(8)	20.56(9)	
20.66(9)	20.56(3)	
20.66(10)	20.56(7)	
20.66(11)	20.56(10)	
Circulars		
20.67(1)	20.58(1)	
20.67(2)	20.58(2)	
20.67(3)	20.58(3)(a)	
20.67(4)	20.58(3)(b)	
20.68(1)	20.59(1)	
20.68(2)	20.59(3)(a), (b), (c), (f), 20.59(13) to (17)	
20.68(3)	20.59(3)(a)	
20.68(4)	20.59(3)(d) and (e)	
20.68(5)	20.59(10), 20.35(2)	
20.68(6)	20.59(8) and (9), 20.58(3)(c) and (d)	
20.68(7)	20.59(7)	

New Rules	Current Rules	Comments
20.68(8)	20.59(7)	
20.68(9)	20.59(18)	
20.68(10)	20.59(11), 20.59(13)	
20.68(11)	20.59(19)	
20.68(12)	20.18, 20.59(6)	
20.68(13)	20.59(4)	
20.68(14)	20.59(5)	
20.68(15)	20.59(12)	
20.68(16)	20.59(20)	
Annual reports		
20.69	20.37, 20.38, 20.45, 20.46	
20.70	18.09	
EXEMPTIONS		
20.71	-	<i>[New]</i> Summarise exemptions for specific categories of connected transactions.
20.72	20.16, 20.28, 20.29	
20.73	20.06, 20.30	
De minimis exemptions		
20.74(1)	20.31(2), 20.33(3), 20.65(2)(b)	<i>[Modify Consultation Proposal I]</i> Increase the monetary threshold for fully exempt connected transactions from HK\$1 million to HK\$3 million.
20.74(2)	20.32, 20.34, 20.66(2)	
<i>Percentage ratio calculations</i>		
20.75	20.24	<i>[New]</i> Clarify that the methods of percentage ratio calculations in Chapter 19 also apply to Chapter 20.
20.76	-	<i>[New]</i> Clarify the calculation of percentage ratios for continuing connected transactions.
20.77(1)	20.69(1)	
20.77(2)	20.70(1)	
20.77(3)	20.70(2)	
20.77(4)	20.70(3)	<i>[Adopt Consultation Proposals G(1) and (2) with modification]</i> Clarify the requirement for termination of options and introduce alternative tests for classifying transfer, termination and non-exercise of options.
20.77(5)	20.71	
20.77(5) - Note	-	<i>[New]</i> Clarify the differences between the requirements for option arrangements under Chapters 19 and 20.
<i>Exception to percentage ratio calculations</i>		
20.78	-	<i>[New]</i> Codify current practice to consider

New Rules	Current Rules	Comments
		alternative tests where any percentage ratios produce an anomalous result.
<i>Aggregation of transactions</i>		
20.79	20.25	
20.80	20.26	
20.81	20.27	
20.82 to 20.84	20.27A, 20.27A - Note	
Financial assistance		
<i>Financial assistance provided by the group</i>		
20.85(1)	20.65(1)	
20.85(2)	20.65(2)(a)	<i>[Modify Consultation Proposal I]</i> Increase the monetary threshold for fully exempt connected transactions from HK\$1 million to HK\$3 million.
20.85(3)	20.66(1)	
20.86	20.10(1)	
20.87	20.64, 20.65(3)	
<i>Financial assistance received by the group</i>		
20.88	20.65(4)	
<i>The group providing an indemnity for a director</i>		
20.89	-	<i>[Adopt Consultation Proposal K with modification]</i> Exempt provision of indemnity for directors from the connected transaction requirements, provided that the indemnity is in the form permitted under the laws in Hong Kong and the place of incorporation of the company providing the indemnity.
Issue of new securities by an issuer or its subsidiary		
20.90(1)	20.31(3)(a)	
20.90(2)	20.31(3)(c)	
20.90(3)	20.31(3)(b)	
20.90(4)	20.31(3)(d)	
Dealings in securities on stock exchanges		
20.91	20.31(4)	
Repurchases of own securities		
20.92	20.31(5)	
Service contracts and insurance for directors		
20.93	20.31(6)	
20.94	-	<i>[Adopt Consultation Proposal K with modification]</i> Exempt purchase and maintenance of directors' insurance from the connected

New Rules	Current Rules	Comments
		transaction requirements, provided that the insurance is in the form permitted under the laws in Hong Kong and the place of incorporation of the company providing the insurance.
Buying or selling consumer goods or consumer services		
20.95	20.31(7), 20.33(1)	<i>[Adopt Consultation Proposal J]</i> Remove the 1% cap.
Shared administrative services		
20.96	20.31(8), 20.33(2)	
Transactions with associates of passive investors		
20.97 and 20.98	20.31(10), 20.33(5)	
Transactions with connected persons at the subsidiary level		
20.99	-	<i>[Adopt Consultation Proposal A(2)(a)]</i> Exempt for transactions with connected persons at the subsidiary level from independent shareholder approval.
20.99 - Note	20.72, 20.73(1), 20.73(2) – Note	<i>[Modify]</i> The current exemption for Qualified Property Acquisitions will become redundant after introduction of the new exemption for transactions with connected persons at the subsidiary level under the new Rule 20.99 which will also cover Qualified Property Acquisitions.
WAIVERS		
20.100	20.07, 20.44	
Transactions relating to non-executive directors		
20.101	20.42(1)	
Provision of guarantees to connected subsidiaries or commonly held entities for public sector contracts awarded by tender		
20.102	20.42(2)	
Continuing connected transactions of new applicants		
20.103	20.42(3)	