

FAQ on Consultation Conclusions on the Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules (“GEM Consultation Conclusions”)

Release Date (Last Update Date)	Main Board Rules	GEM Rules	Series No.	FAQ No.	Query	Response															
15/12/2017 02/2020	N/A	N/A	N/A	008-2017	When did the Listing Rules amendments take effect?	The amended Main Board and GEM Listing Rules took effect on 15 February 2018 (“ Rule Amendment Effective Date ”).															
15/12/2017	N/A	10.11A, 10.12(1A), 11.12A, 11.14(3), 11.23(2), 11.23(6), 11.23(9), 13.16A, PN6	N/A	009-2017	What are the changes to the GEM Listing Rules?	<p>The changes to the GEM Listing Rules are summarised below:</p> <table border="1"> <thead> <tr> <th></th> <th><i>Existing</i></th> <th><i>New</i></th> </tr> </thead> <tbody> <tr> <td>Minimum cash inflow from operating activities before changes in working capital for the two financial years immediately preceding the issue of the listing document</td> <td>HK\$20 million in aggregate</td> <td>HK\$30 million in aggregate</td> </tr> <tr> <td>Minimum market capitalisation at the time of listing</td> <td>HK\$100 million</td> <td>HK\$150 million</td> </tr> <tr> <td>Minimum public float value at the time of listing</td> <td>HK\$30 million</td> <td>HK\$45 million</td> </tr> <tr> <td>Post-IPO lock-up period on controlling shareholders</td> <td>No sales of shares for the first six month upon listing.</td> <td>No sales of shares for the first year upon listing. Sales</td> </tr> </tbody> </table>		<i>Existing</i>	<i>New</i>	Minimum cash inflow from operating activities before changes in working capital for the two financial years immediately preceding the issue of the listing document	HK\$20 million in aggregate	HK\$30 million in aggregate	Minimum market capitalisation at the time of listing	HK\$100 million	HK\$150 million	Minimum public float value at the time of listing	HK\$30 million	HK\$45 million	Post-IPO lock-up period on controlling shareholders	No sales of shares for the first six month upon listing.	No sales of shares for the first year upon listing. Sales
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							Sales of shares in the next six months permitted but must retain control	of shares in the next year permitted but must retain control
						Offering structure	No restriction – subject to full disclosure in the listing document	Mandatory public offering of at least 10% of the total offer size
						Placing to selected individuals	Selected individuals are allowed to participate in the placing provided full disclosure is made in the listing document	Placing to core connected persons, connected clients and existing shareholders, and their respective close associates requires waiver/ consent of the Exchange (similar to the relevant requirements under Appendix 6 to the Main Board Listing Rules and HKEX-GL85-16)

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						Offering mechanism	No specific requirement under GEM Listing Rules	The allocation of offer shares between the public and placing tranches and the clawback mechanism to be in line with Practice Note 18 to the Main Board Rules
15/12/2017	8.08(1)(b), 8.09(1), 8.09(2)	N/A	N/A	010-2017	What are the changes to the Main Board Listing Rules?	The minimum market capitalisation at the time of listing will increase from HK\$200 million to HK\$500 million. The minimum public float value at the time of listing will increase from HK\$50 million to HK\$125 million.		
15/12/2017	3A.02, 9A.01A, Appendix 28 Paragraph 9	N/A	N/A	011-2017	What are the changes to the GEM transfer mechanism?	The changes to GEM transfer mechanism are summarised below:		
							Existing	New
						Sponsor	Not Required	Required and must be appointed at least two months before the submission of the listing

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Initial listing fee	50% of the Main Board initial listing fee	Standard initial listing fee for Main Board													
<p>Note: A GEM transfer application submitted by an Eligible Issuer (as defined in Main Board Rule 9A.01A) that has not changed its principal business and controlling shareholder since listing on GEM, and is not an infrastructure or a mineral company. See FAQ No. 014-2017 for further information.</p>															

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15/12/2017	9A.01A	10.11A, 10.12(1A), 11.12A, 11.14(3), 11.23(2), 11.23(6), 11.23(9), 13.16A, PN6	N/A	012-2017	How will the changes affect new listing applicants?	<p>New listing applicants will be affected by the following changes:</p> <table border="1"> <thead> <tr> <th></th> <th>Before the Rule Amendment Effective Date</th> <th>On and after the Rule Amendment Effective Date</th> </tr> </thead> <tbody> <tr> <td>GEM listing applicants</td> <td>Applications will be processed under the Main Board or GEM Listing Rules in force <u>immediately before</u> the Rule Amendment Effective Date, with only <u>one renewal</u> of such applications permitted thereafter</td> <td>Applications will be processed under <u>amended</u> GEM Listing Rules (see FAQ No. 009-2017) and any subsequent GEM transfer applications will be processed under the <u>amended</u> Main Board Listing Rules (see FAQ No. 010-2017)</td> </tr> <tr> <td>Main Board listing applicants</td> <td></td> <td>Applications will be processed under <u>amended</u> Main Board Listing Rules (see FAQ No. 010-2017)</td> </tr> </tbody> </table>		Before the Rule Amendment Effective Date	On and after the Rule Amendment Effective Date	GEM listing applicants	Applications will be processed under the Main Board or GEM Listing Rules in force <u>immediately before</u> the Rule Amendment Effective Date, with only <u>one renewal</u> of such applications permitted thereafter	Applications will be processed under <u>amended</u> GEM Listing Rules (see FAQ No. 009-2017) and any subsequent GEM transfer applications will be processed under the <u>amended</u> Main Board Listing Rules (see FAQ No. 010-2017)	Main Board listing applicants		Applications will be processed under <u>amended</u> Main Board Listing Rules (see FAQ No. 010-2017)
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15/12/2017 02/2020	Appendix 28 Paragraph 1	N/A	N/A	013-2017	What are the transitional arrangements and to whom do they apply?	The transitional arrangements apply to GEM transfer applications submitted by Eligible Issuers (as defined in Main Board Rule 9A.01A) during the three-year period starting from 15 February 2018 to 14 February 2021 (both dates inclusive) (“ Transitional Period ”).									

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						<p>The transitional arrangements are summarised as follow:</p> <table border="1"> <thead> <tr> <th>Before the Rule Amendment Effective Date</th> <th>Transitional Period</th> <th>After the end of the Transitional Period</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> - processed under the GEM streamlined process (i.e. no need to appoint a sponsor or issue a listing document), with only <u>one renewal</u> of such application permitted thereafter; and - eligibility for the Main Board will be assessed in accordance with the Main </td> <td> <ul style="list-style-type: none"> - processed under the transitional arrangements set out in paragraph 144 of the GEM Consultation Conclusions; and - eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force <u>immediately before</u> the Rule Amendment Effective Date </td> <td> <ul style="list-style-type: none"> - processed under the <u>amended</u> Main Board Listing Rules (see FAQ No. 010-2017) </td> </tr> </tbody> </table>	Before the Rule Amendment Effective Date	Transitional Period	After the end of the Transitional Period	<ul style="list-style-type: none"> - processed under the GEM streamlined process (i.e. no need to appoint a sponsor or issue a listing document), with only <u>one renewal</u> of such application permitted thereafter; and - eligibility for the Main Board will be assessed in accordance with the Main 	<ul style="list-style-type: none"> - processed under the transitional arrangements set out in paragraph 144 of the GEM Consultation Conclusions; and - eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force <u>immediately before</u> the Rule Amendment Effective Date 	<ul style="list-style-type: none"> - processed under the <u>amended</u> Main Board Listing Rules (see FAQ No. 010-2017)
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						Board Listing Rules in force <u>immediately before</u> the Rule Amendment Effective Date
15/12/2017 (02/02/2018)	9A.01(A)(2)	12.09(1)	N/A	014-2017	What is a “valid” listing application under the definition of an “Eligible Issuer”?	A GEM listing application that was submitted to the Exchange on or before 16 June 2017 and (i) has not been rejected or returned by the Exchange or withdrawn by the applicant; and (ii) if lapsed, renewed within three calendar months from the lapse date (the “ Renewed Application ”).
15/12/2017 (02/02/2018)	N/A	N/A	N/A	015-2017	Under what circumstances will a listing transfer application continue to be vetted under the Listing Rules in effect before the Rule Amendment Effective Date (the “ Existing Rules ”) after the Rule Amendment Effective Date?	<p>All valid applications as of the Rule Amendment Effective Date will continue to be vetted under the Existing Rules after the Rule Amendment Effective Date.</p> <p>If the Renewed Application is submitted before the Rule Amendment Effective Date, the subsequent renewal of the Renewed Application after the Rule Amendment Effective Date will continue to be vetted under the Existing Rules. Any further renewals will be vetted under the amended Listing Rules.</p> <p>If the Renewed Application is submitted after the Rule Amendment Effective Date, any subsequent renewal of the Renewed Application will be vetted under the amended Listing Rules.</p>

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15/12/2017 02/2020	N/A	3.01, 3.02	N/A	016-2017	Who will approve GEM listing applications going forward?	GEM listing applications will be approved by the Listing Committee with effect from 1 January 2020 (see link to press release dated 18 October 2019).
15/12/2017	N/A	N/A	N/A	017-2017	Withdrawn in February 2020	

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15/12/2017	3A.19, 9.11(17a), 9.11(30), 9A.13, 10.07(4), 12.01B	9.20	N/A	018-2017	What are the facilitative measures for GEM transfer applicants after the removal of the GEM streamlined process?	<p>Facilitative measures are as follows:</p> <p>(a) Dispensation from the following requirements for GEM transfer applicants which follow Chapter 9 application procedures¹ (see new Main Board Rule 9A.03(1A) and Main Board Rule 9A.03(1B)):</p> <ul style="list-style-type: none"> - Main Board Rule 9.11(17a): production of certificate of incorporation; - Main Board Rule 9.11(30): production of a HKSCC notice that the securities to be listed are Eligible Securities; and - Main Board Rule 12.01B: publication of Post Hearing Information Pack requirement. <p>(b) Dispensation from the post-IPO lock-up on controlling shareholders requirement is maintained (Main Board Rule 10.07(4)), provided that any plan by the controlling shareholders of the issuer to dispose of their interests in the issuer in the next 12 months has been prominently disclosed in the listing document.</p> <p>(c) Dispensation from the restriction on post-listing fund-raising is maintained (Main Board Rule 10.08(5)), provided that any plan to raise funds within six months from the date of the transfer of the issuer’s listing to the Main Board has been prominently disclosed in the listing document.</p> <p>(d) Dispensation from the compliance adviser requirement under Main Board Rule 3A.19 is maintained (Main Board Rule 9A.13 and new Main</p>

¹ These GEM transfer applicants include those (i) GEM transfer applicants that are subject to the new Main Board Rules; and (ii) GEM transfer applicants under the transitional arrangements, but have changed in businesses and/or controlling shareholders since listing on GEM or are infrastructure or mineral companies.

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						Board Appendix 28, paragraph 16). (e) The GEM delisting procedures under Chapter 9 of the GEM Rules do not apply to GEM transfer applications.
15/12/2017	Practice Note 21 Paragraph 2, Appendix 28 Paragraph 4(2), Appendix 28 Paragraph 5	N/A	N/A	019-2017	What due diligence is a sponsor expected to perform on a GEM transfer applicant that plans to issue a GEM transfer announcement under the transitional arrangements?	<p>A sponsor is expected to conduct due diligence on the GEM transfer applicants’ activities during the most recent full financial year and up to the date of the GEM transfer announcement to ensure that the information in the GEM transfer announcement is accurate, complete and not misleading.</p> <p>The standards expected of a sponsor are those set out in paragraph 17 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, except for provisions referring to the preparation of a listing document, application proof, the contents of a listing document and an expert report. The principles under paragraph 2 of Practice Note 21 to the Main Board Listing Rules are also applicable. SFC has published additional guidance in the form of “Frequently Asked Questions” are available at: http://www.sfc.hk/web/EN/faqs/listings-and-takeovers/</p> <p>Details of the sponsor’s due diligence for cases covered by the Transitional Arrangements are set out in paragraphs 4 and 5 of Appendix 28 to the Main Board Listing Rules.</p>
15/12/2017	3A.02, 3A.02B, Appendix 28 Paragraph 4	N/A	N/A	020-2017	Do the sponsor regime requirements implemented in 2013 apply to a GEM transfer?	Yes, a GEM transfer applicant must appoint a sponsor to assist it in its application at least two months prior to the submission of the listing application. Where the GEM transfer requires the publication of a listing document, the sponsor must also submit a substantially complete application proof under Main Board Rule 9.03(3).

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15/12/2017	Appendix 6	N/A	N/A	021-2017	Why are there no separate placing guidelines for GEM? Do the placing guidelines in Appendix 6 to the Main Board Rules (“ MB Placing Guidelines ”) apply to GEM listing applications?	It is our intention to update the placing guidelines for both GEM and the Main Board together at a later time and a revised set of placing guidelines will be introduced. Until then, we will continue the existing practice to require GEM listing applicants to comply with the MB Placing Guidelines, where applicable.
15/12/2017	N/A	N/A	N/A	022-2017	Withdrawn in February 2020	
02/02/2018	N/A	N/A	N/A	023-2018	Withdrawn in February 2020	