

LEGAL UPDATE

Summary of Revised GEM and Main Board Listing Rules effective 15 February 2018

The conclusions of the consultation (the “**Consultation Conclusions**”) on review of the position of the Growth Enterprise Market (“**GEM**”) and changes to the GEM and Main Board Listing Rules (collectively, the “**Listing Rules**”) was published on 15 December 2017. Having considered the views of respondents, The Stock Exchange of Hong Kong decided to adopt substantially all the proposed amendments to the Listing Rules. The revised rules took effect from 15 February 2018.

This legal update is intended to provide a summary of the Consultation Conclusions. More details can be found at the HKEX’s website: [Consultation Conclusions](#).

Major changes to GEM

We set out below a summary of the major changes to GEM Listing Rules:

| | <i>Current requirements</i> | <i>Requirements from 15 February 2018</i> |
|--|--|--|
| Name | Growth Enterprise Market or 創業板 in Chinese | “GEM” for both Chinese and English |
| Positioning | Stepping stone to Main Board | Stand-alone board for small to medium size companies |
| Minimum expected 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 |
| Minimum operating cash flow | HK\$20 million | HK\$30 million |
| Post-IPO lock-up period for controlling shareholders | Prohibited from selling in the first six months upon listing; May sell in the next six months while retain control | Prohibited from selling in the first year upon listing; May sell in the next year while retain control |

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| Offering mechanism | 100% placing allowed provided full disclosure is made in the listing document; No restrictions provided full disclosure is made in the listing document | Mandatory public offering of at least 10% of the total offer size; Allocation of offer shares between the public and placing tranches and the claw back mechanism be consistent with those in PN18 to the Main Board Rules |
| Placing to selected individuals* | Allowed provided full disclosure is made in the listing document | Waiver/consent of the Stock Exchange of Hong Kong Limited is required |
| Transfer from GEM to Main Board | Streamlined process where no sponsor is required and only a transfer announcement is required | Must appoint sponsor and issue “prospectus-standard” listing document, unless being an ‘eligible issuer’ and make transfer application during transitional period (see below) |

*Selected individuals include core connected persons, connected clients and existing shareholders, and their respective close associates

Major changes to Main Board

Below is a summary of the major changes to the Main Board Listing Rules:

| | <i>Current requirements</i> | <i>Revised requirements</i> |
|--|-----------------------------|-----------------------------|
| Minimum expected market capitalisation at the time of listing | HK\$200 million | HK\$500 million |
| Minimum public float value at the time of listing | HK\$50 million | HK\$125 million |

Transitional arrangements for listing applications and transfer of listing

Listing applications submitted to the Exchange before the amendment effective date (i.e. 15 February 2018) will be processed in accordance with the Listing Rules in force as at the date of the Consultation. After the amendment effective date, all applications will be reviewed under the new listing rules. Further, the streamlined process for transfer of listing for GEM issuers may still be open to certain issuers meeting the requirements of eligibility as stated below:

| Submission time Type of application | Submitted before 15 February 2018 | Submitted during the three-year period from 15 February 2018 | After the three-year period from 15 February 2018 |
|--|--|--|--|
| GEM listing applicants | Applications will be processed under GEM Listing Rules in force as at 16 June 2017. | Applications will be processed under the amended GEM Listing Rules. | |
| Main Board listing applicants | Applications will be processed under Main Board Listing Rules in force as at 16 June 2017. | Applications will be processed under the amended Main Board Listing Rules. | |
| GEM transfer applications | <p>The streamlined process continues to apply if the transfer applications have not lapsed, been rejected or returned as at 15 February 2018.</p> <p>Only one renewal application is permitted after 15 February 2018.</p> <p>Eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force as at 16 June 2017.</p> | <p><i>For eligible issuers (i.e. GEM issuers listed as at 16 June 2017 or made their listing application prior to that day and subsequently listed):</i></p> <p>(a) Applicants that <u>have changed</u> their principal businesses and/or controlling shareholders since listing on GEM: (i) appoint a sponsor to conduct due diligence; and (ii) publish a listing document as a new listing applicant to the Main Board.</p> <p>(b) Applicants that <u>have not changed</u> their principal businesses of controlling shareholders since listing on GEM: (i) prepare a GEM transfer announcement in connection with its GEM transfer; and (ii) appoint a sponsor to conduct due diligence in respect of their activities during the most recent full financial year and up</p> | <p>(i) Appoint a sponsor to conduct due diligence; and (ii) Publish a listing document as a new listing applicant to the Main Board.</p> <p>Eligibility for the Main Board will be assessed in accordance with the amended Main Board Listing Rules.</p> |

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| | | <p>to the date of the GEM transfer announcement.</p> <p>Eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force as at 16 June 2017.</p> <p><i>For non-eligible issuers:</i> Applications will be processed under the amended Main Board Listing Rules.</p> | |
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It should be noted that for GEM applicants/issuers whose application was submitted after 16 June 2017 (even before the amendment effective date), if they intend to apply for transfer of listing to the Main Board, they will be required to go through the IPO process once again.

Contact Details

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