

August 2019

Revisit the Changes to the GEM and Main Board Listing Rules

1. On 15 December 2017, the Stock Exchange of Hong Kong Limited (the “**Exchange**”) published the consultation conclusions¹ (the “**Consultation Conclusions**”) in response to its consultation paper on review of the Growth Enterprise Market and changes to the GEM and Main Board Listing Rules published on 16 June 2017². Amendments to the GEM and Main Board Listing Rules have become effective since 15 February 2018 to implement the proposals of the Consultation Conclusions.
2. In this article, we revisit the key changes to the GEM and Main Board Listing Rules: -
 - I. **Changes to the Reference to “Growth Enterprise Market” and 「創業板」**
 - i. Changed both the Chinese and English names of “Growth Enterprise Market” and 「創業板」 have been changed to “GEM”; and
 - ii. Changed the target issuers from companies of an emerging nature to small to mid-sized companies.
 - II. **Removal of GEM’s position as a stepping stone to the Main Board**
 - i. Repositioned GEM as a stand-alone board rather than a stepping stone

¹ [https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2017-Consultation-Paper-on-Review-of-the-Growth-Enterprise-Market/Conclusions-\(December-2017\)/cp2017062cc.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/June-2017-Consultation-Paper-on-Review-of-the-Growth-Enterprise-Market/Conclusions-(December-2017)/cp2017062cc.pdf?la=en)

² <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/Consultation-Paper-on-Review-of-the-GEM-and-Changes-to-the-GEM-and-Main-Board-Listing-Rules/cp2017062.pdf>

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- to the Main Board; and
- ii. Removed the GEM streamlined process for GEM transfers to the Main Board:

Before amendment regime	After amendment regime
Streamlined process available: <ul style="list-style-type: none">• No sponsor is required	No streamlined process: <ul style="list-style-type: none">• A sponsor must be appointed at least two months before the submission of the transfer listing application
Publication requirements: <ul style="list-style-type: none">• Announcement of an application to transfer to Main Board• Detailed transfer announcement	Publication requirements: <ul style="list-style-type: none">• Announcement of an application to transfer to Main Board• Application proof• Listing document of prospectus standard• Formal notice
Initial listing fee: <ul style="list-style-type: none">• 50% of the Main Board initial listing fee	Initial listing fee: <ul style="list-style-type: none">• Standard Main Board initial listing fee

III. Raising of GEM admission requirements

- i. Raised the cashflow requirement from at least HK\$20 million to at least HK\$30 million;
- ii. Raised the minimum market capitalisation requirement at listing from HK\$100 million to HK\$150 million;
- iii. Raised the minimum public float value of securities from HK\$30 million to HK\$45 million; and
- iv. Extended the post-IPO lock-up requirement on controlling shareholders from one year upon listing to two years.

IV. Open market requirements

- i. Introduced a mandatory public offering requirement of at least 10% of the total offer size for all GEM IPOs;
- ii. Aligned the GEM Listing Rules on the allocation of offer shares between the public and placing tranches and the clawback mechanism with those in Practice Note 18 to the Main Board Listing Rules;
- iii. Added a requirement for the prior consent from the Exchange for placing to core connected person, connected clients and existing shareholders, and their respective close associates; and
- iv. Raised the minimum public float value of securities from HK\$30 million to HK\$45 million.

V. Raising of Main Board admission requirements

- i. Raised the minimum expected market capitalisation of Main Board applicants at the time of listing from HK\$200 million to HK\$500 million; and
- ii. Raised the minimum public float value of securities for Main Board applicants from HK\$50 million to HK\$125 million.

VI. Implementation and Transitional Arrangements

	Before the Rule Amendment Effective Date (prior to 15 February 2018)	Transitional Period (From 15 February 2018 to 14 February 2021)	After the end of the Transitional Period (15 February 2021)
GEM transfer applications from Eligible	GEM transfer applications will be processed under the GEM streamlined	All GEM transfer applications submitted by Eligible Issuers during the transitional period will have their eligibility for the Main	All GEM transfer applications will be processed under the amended Main Board Listing Rules

Revisit the Changes to the GEM and Main Board Listing Rules

Issuers <i>(Note)</i>	process Eligibility for the Main Board will be assessed in accordance with the Main Board Listing Rules in force immediately before 15 February 2018	Board assessed in accordance with the Main Board Listing Rules in force immediately before 15 February 2018	
GEM listing applicants	Applications will be processed under GEM Listing Rules in force immediately before 15 February 2018	Applications will be processed under amended GEM Listing Rules and any subsequent GEM transfer applications will be processed under the amended Main Board Listing Rules	
Main Board listing applicants	Applications will be processed under Main Board Listing Rules in force immediately before 15 February 2018	Applications will be processed under amended Main Board Listing Rules	

Note: “Eligible Issuers” include: (1) all issuers listed on GEM as at 16 June 2017; and (2) all GEM applicants who have submitted a valid listing application for listing on GEM as at 16 June 2017 and subsequently listed on GEM pursuant to such application or a renewal of such application.

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