

Chapter 17

EQUITY SECURITIES

CONTINUING OBLIGATIONS

Preliminary

17.01 An issuer shall comply (and undertakes pursuant to its application for listing (Appendix 5A), once any of its securities have been admitted to listing, to comply), at all times, with all of the requirements of the GEM Listing Rules from time to time in force, save for any that are stated not to apply. Set out in this Chapter is the general continuing obligation of disclosure, together with certain other general continuing obligations.

This Chapter is not exhaustive and issuers are reminded that other Chapters contain additional specific obligations, including, in particular, the following:—

Chapter 5	—	Directors, Secretary and Corporate Governance Matters
Chapter 9	—	Suspension and Resumption of Trading, Cancellation and Withdrawal of Listing
Chapter 11	—	Qualifications for Listing
Chapter 13	—	Restrictions on Purchase, Disposal and Subscription
Chapter 16	—	Publication Requirements
Chapter 18	—	Financial Information
Chapter 19	—	Transactions
Chapter 20	—	Connected Transactions.

Additional continuing obligations are set out in Chapter 31, in so far as they relate to issuers having debt securities in issue.

17.02 The continuing obligations set out in this Chapter are primarily designed to ensure the maintenance of a fair and orderly securities market and that all market users have simultaneous access to the same information. Issuers must keep the holders of their securities (and the public) fully informed of all factors which might affect their interests and treat the holders of their securities in a proper manner.

17.03 The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the GEM Listing Rules.

17.04 The directors should seek advice and guidance from the issuer's Sponsor (for so long as the issuer is obliged to retain, or otherwise retains, the services of a Sponsor) regarding the issuer's obligation to comply with and the manner and extent of compliance with the GEM Listing Rules and should take such advice and guidance into account.

17.05 Any announcement required to be made by an issuer pursuant to the GEM Listing Rules must be made in accordance with the publication requirements contained in Chapter 16, unless otherwise stated.

Continuing disclosure obligations

Introduction

17.06 The continuing obligations relating to disclosure set out in this Chapter are designed to ensure the immediate release of information in the circumstances referred to in rule 17.10. The guiding principle is that information which is expected to be price-sensitive should be released immediately it is the subject of a decision. Until that point is reached, it is imperative that the strictest security within the issuer and its advisers is observed.

17.07 Without prejudice to the generality of rule 17.10, this Chapter identifies specific circumstances in which an issuer is obliged to disclose information to the holders of its securities and the public.

Note: The specific circumstances identified in this Chapter are not alternatives to the general disclosure obligation set out in rule 17.10 and do not in any way detract from the issuer's responsibilities under rule 17.10.

17.08 In adhering to the continuing obligations relating to disclosure set out in this Chapter, the directors of the issuer must seek to ensure that dealings do not take place between parties one of whom does not have price-sensitive information which is in the possession of the other.

17.09 In order to maintain high standards of disclosure, the Exchange may require the publication of further information by and impose additional requirements on a listed issuer where it considers that circumstances so justify but will allow representations by the issuer before imposing any such requirements on it which are not imposed on listed issuers generally. The issuer must comply with such requirements and, if it fails to do so, the Exchange may (where such requirements relate to the publication of information) itself publish the information when such information is available to the Exchange. Conversely, the Exchange may waive, modify or not require compliance with the terms of any specific obligations set out in this Chapter to suit the circumstances of a particular case but may require the issuer concerned to enter into an agreement or undertaking, in that event, as a condition of such dispensation.

General obligation of disclosure

17.10 Generally and apart from compliance with all the specific requirements of the GEM Listing Rules, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed, as soon as reasonably practicable, of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:

- (1) is necessary to enable them and the public to appraise the position of the group; or
- (2) is necessary to avoid the establishment of a false market in its securities; or
- (3) might be reasonably expected materially to affect market activity in and the price of its securities.

Notes: 1 Information should not be divulged outside the issuer and its advisers in such a way as to place in a privileged dealing position any person or class or category of persons. Information should not be released in such a way that Exchange transactions may be entered into at prices which do not reflect the latest available information. Without in any way derogating from this principle, issuers may, in appropriate circumstances, give advance information in strict confidence to persons with whom negotiations are taking place with a view to the making of a contract or the raising of finance, e.g. to prospective underwriters of an issue of securities or providers of funds on loan. In any such case the persons receiving such information will be expected not to deal in the issuer's securities until the information has been released.

- 2 *When developments are on hand which are likely to have a significant effect on market activity in or the price of any listed securities, **it is the direct responsibility of the directors to ensure that such information is kept strictly confidential** until a formal announcement is made. To this end the directors must ensure that the strictest security is observed within the issuer and its advisers and if at any time it is felt that the necessary degree of security cannot be maintained or that security may have been breached, an announcement should be made as soon as possible thereafter. In the case of an approach which may lead to an offer for all or part of the listed securities of the issuer, unless security by all parties can be assured, a warning announcement should be issued indicating that the issuer is in discussions which may lead to an offer for those securities. The lack of a warning announcement in some situations may lead to the establishment of a false market. In merger and takeover transactions, particularly where no warning announcement has been issued, a temporary suspension of dealings may be appropriate where negotiations have reached a point at which an offeree company is reasonably confident that an offer will be made for its shares or where negotiations or discussions are extended to embrace more than a small group of people.*
- 3 *The issuer may be obliged (by statute or otherwise) to impart information to a third party. If such information thereby enters the public domain and is of a price-sensitive nature, it should be simultaneously released to the market.*
- 4 *The question of timing of the release of an announcement to the market is crucial, having regard to its possible effect on the market price of the issuer's listed securities. The overriding principle is that information which is expected to be price-sensitive should be announced immediately it is the subject of a decision. Failure to follow this principle may result in the Exchange imposing a temporary suspension of dealings.*
- 5 *The issuer must endeavour to avoid any suspension of its securities having regard to the provisions of rule 9.03 and the Notes thereto.*
- 6 *Rule 17.56 sets out general principles as to the presentation of information in all announcements, listing documents and circulars required to be published under the GEM Listing Rules.*
- 7 *Any obligation to inform holders of the issuer's securities or the public will be satisfied by the information being announced in accordance with rule 17.05.*
- 8 *Where it is proposed to announce at any meeting of holders of listed securities information which might affect the market price of the issuer's securities, arrangements should be made for the release of that information to the market simultaneously or immediately after the meeting in accordance with Chapter 16.*

- 9 *If the directors consider that disclosure of information to the public might prejudice the issuer's business interests, the Exchange must be consulted as soon as practicable.*
- 10 *Information should be released before the stage when it needs to be made available outside the directors, employees and advisers necessarily concerned. The date of the requisite board meeting should be fixed with this consideration in mind; if a suitable date cannot be fixed, it may be necessary for the board to delegate its power of approval to a committee so that the appropriate announcement can be made at the proper time.*
- 11 *If, during the period of any profit forecast made by the issuer:—*
- (a) an event occurs which, had it been known at the time the profit forecast was made, would have caused any of the assumptions upon which the forecast is based to have been materially different; or*
 - (b) income or loss is generated by some activity outside the ordinary and usual course of the business (which income or loss was not disclosed as anticipated in the document in which the profit forecast was made) and which contributes or is likely to contribute materially to the calculation of the profits for such period,*

the issuer shall promptly disclose the occurrence of such event and relevant details to holders of the issuer's securities. The issuer should give an indication in the announcement of the likely impact of the event or activity referred to above on the profit forecast.

A disclosure obligation arises under sub-paragraph (b) above as soon as the issuer becomes aware that it is likely that the contribution in the calculation of profits made or to be made by income or loss generated or to be generated as aforesaid will be material.

- 12 *An issuer must consider whether or not it is appropriate or necessary to make any disclosure pursuant to this rule in circumstances where the profits or business developments of the issuer are or are likely to be out of line with any estimate or projection of the issuer or with market expectations of the issuer. If thought appropriate or necessary, an announcement should be made, on a timely basis, revising any estimate or projection and setting out reasons or explanations for the difference.*
- 13 *An issuer must notify the Exchange, members of the issuer and other holder of its listed securities without delay where:—*
- (i) to the knowledge of the directors there is no major market upheaval in the industries, countries or regions where the issuer has significant operations or transactions, or significant changes in exchange rates of currencies that are key to its operations; or*
 - (ii) to the knowledge of the directors there is such a change in the issuer's financial condition or in the performance of its business or in the issuer's expectation of its performance that knowledge of the change is likely to lead to substantial movement in the price of its listed securities; or*

(iii) *the issuer has committed significant resources to an activity which is non-core business and this has not previously been disclosed.*

14 *In circumstances where the issuer is aware that the price or trading volume of its listed securities is being or may be influenced by speculation or rumour, the issuer is encouraged to make an announcement by way of clarification in order to avoid the establishment of an uninformed, misinformed or false market in its securities. In the event that the Exchange contacts the issuer concerning unusual movements in the price or trading volume of its securities, rule 17.11 shall apply.*

15 *Without limiting the generality of Note 14 above, comments by individuals who:—*

(a) *are directors or representatives of an issuer or its controlling shareholder; and/or*

(b) *hold positions in entities with authority, administrative control or influence over an individual issuer or its controlling shareholder irrespective of that entity's equity interest in the issuer or controlling shareholder; and/or*

(c) *hold positions in entities with authority, administrative control, influence or regulatory responsibility over an industry*

may be accorded considerable weight by the news media and investors. They may affect market activity in and the price of an issuer's securities thereby giving rise to an obligation under this rule. If these individuals make public proposed transactions or developments in relation to an issuer, which have not previously been announced or disclosed to shareholders in accordance with the GEM Listing Rules, the issuer affected will generally be required to clarify such comments by way of an announcement. Furthermore, comments by individuals holding positions in entities having authority, administrative control, influence or regulatory responsibility over an industry may give rise to an obligation on issuers operating in that industry to issue a clarification announcement.

16 *Any confidentiality undertaking entered into by an issuer shall be made subject to any obligation on the part of the issuer to disclose information pursuant to the GEM Listing Rules.*

Response to enquiries

17.11 An issuer shall respond promptly to any enquiries made of the issuer by the Exchange concerning unusual movements in the price or trading volume of its listed securities or any other matters by giving such relevant information as is available to the issuer or, if appropriate, by issuing a statement to the effect that the issuer is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities and shall also respond promptly to any other enquiries made of the issuer by the Exchange.

Notes: 1 If the enquiry relates to unusual movements in the price or trading volume of securities and the directors of the issuer are aware of any matter that might have relevance to such movements, an announcement clarifying the situation should be issued. The issuer should endeavour to issue an announcement sufficient to avoid the need for any suspension of its securities (see rule 9.03). However, if it is not possible to make such an announcement, for example because negotiations may have reached a delicate stage, a temporary suspension of dealings in the issuer's securities may be necessary (see rule 9.06).

- 2 *If the directors of the issuer are not aware of any matter that might have relevance to such movements (and only in such circumstances) the issuer should issue an announcement in the following form:—*

“This announcement is made at the request of The Stock Exchange of Hong Kong Limited. The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

We have noted the recent increases/decreases in the price and/or trading volume of the [shares/warrants] of the Company and wish to state that we are not aware of any reasons for such [increases/decreases].

We also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 to 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board of [], the directors of which collectively and individually accept responsibility for the accuracy of this announcement.”

Dual listing disclosure obligation

- 17.12 If securities of the issuer are also listed on other stock exchanges, the Exchange must be simultaneously informed of any information released to any of such other exchanges and the issuer must ensure that such information is announced at the same time as it is released to the other markets.

Disclosure of information released by a listed subsidiary

- 17.13 In circumstances where a subsidiary of the issuer listed on another stock exchange or securities market releases information on that stock exchange or securities market, the issuer must ensure that such information is announced as soon as practicable thereafter, irrespective of any obligation on the issuer to issue its own announcement under rule 17.10 or otherwise.

General matters relevant to the issuer’s business

Exposure to borrowers and other specific circumstances that may require disclosure

- 17.14 Without prejudice to any obligation to disclose information pursuant to rule 17.10 and without limiting the scope of that rule, rules 17.15 to 17.21 set out specific instances that give rise to a disclosure obligation on the part of an issuer.

Notes: 1 Issuers are reminded that transactions and financing arrangements of the sort referred to in rules 17.15 to 17.21 may also be subject to the requirements of Chapter 19 (Transactions) and/or Chapter 20 (Connected Transactions).

- 2 *For the purposes of rules 17.15 to 17.21 the following terms have the following meanings:—*

“net tangible assets” means the aggregate of capital and reserves (excluding minority interests and intangibles) shown in the issuer’s latest published audited consolidated financial statements.

“relevant advance to an entity” means the aggregate of amounts due from and all guarantees given on behalf of:—

- (i) an entity;*
 - (ii) the entity’s controlling shareholder;*
 - (iii) the entity’s subsidiaries;*
 - (iv) the entity’s affiliated companies; and*
 - (v) any other entity with the same controlling shareholder as the entity in question.*
- 3 *No disclosure is necessary under rules 17.15 to 17.21 where the indebtedness or financial assistance in question arises from a transaction which was approved by shareholders provided that information equivalent to rules 17.17 or 17.18, as applicable, was included in the circular to shareholders of the issuer.*
- 4 *If the directors consider that any disclosure pursuant to rules 17.15 to 17.21 might prejudice the issuer’s business interests, the Exchange must be consulted as soon as possible.*

Advances to an entity

17.15 A disclosure obligation arises where the relevant advance to an entity from the issuer or any of its subsidiaries exceeds 25% of the issuer’s net tangible assets. For the avoidance of doubt, an advance to a subsidiary of the issuer, or between subsidiaries of the issuer will not be regarded as a relevant advance to an entity.

17.16 A disclosure obligation arises where the relevant advance to an entity increases from that previously disclosed (whether pursuant to rule 17.15, this rule or rule 17.22) by an amount equivalent to 10% or more of the issuer’s net tangible assets since last disclosed.

17.17 Where a disclosure obligation arises under rule 17.15 or 17.16, an issuer must, immediately thereafter, publish an announcement disclosing the following information:—

- (1) details of the relevant advance to an entity including details of the balances;
- (2) the nature of events or transactions giving rise to the amounts;
- (3) the identity of the debtor group;
- (4) interest rate; and
- (5) repayment terms and collateral.

Financial assistance and guarantees to affiliated companies of an issuer

17.18 A disclosure obligation arises where financial assistance extended by an issuer or any of its subsidiaries to affiliated companies of the issuer, and guarantees given by the issuer or any of its subsidiaries in respect of facilities granted to affiliated companies of an issuer in aggregate exceed 25% of the issuer’s net tangible assets. In these circumstances, the information required to be announced, immediately thereafter, is as follows:

- (1) an analysis of the amount of financial assistance given to, committed capital injection to, and guarantees given for facilities granted to, affiliated companies;

- (2) terms of the financial assistance, including interest rate, method of repayment, maturity date, and the security therefor, if any;
- (3) source of funding for the committed capital injection; and
- (4) banking facilities utilised by affiliated companies which are guaranteed by the issuer or any of its subsidiaries.

Pledging of shares by the controlling shareholder

17.19 A disclosure obligation arises where the controlling shareholder of the issuer has pledged its interest in shares of the issuer to secure debts of the issuer or to secure guarantees or other support of obligations of the issuer. In these circumstances, the information required to be announced, immediately thereafter, is as follows:—

- (1) the number and class of shares being pledged;
- (2) the amounts of debts, guarantees or other support for which the pledge is made; and
- (3) any other details that are considered necessary for an understanding of the arrangements.

Note: The disclosure obligation set out in this rule is separate from the disclosure obligation arising from the pledging or charging of securities by initial management shareholders and significant shareholders which is dealt with in rule 17.43.

Loan agreements with covenants relating to specific performance by the controlling shareholder

17.20 A disclosure obligation arises where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholder (e.g. a requirement to maintain a specified minimum holding in the share capital of the issuer) and breach of such obligation will cause a default in respect of loans that are significant to the operations of the issuer. In these circumstances, the information required to be announced, immediately thereafter, is as follows:—

- (1) the aggregate level of the facilities that may be affected by such breach;
- (2) the life of the facility; and
- (3) the specific performance obligation imposed on any controlling shareholder.

Breach of loan agreement by an issuer

17.21 An obligation to make an announcement arises when there is a breach of the terms of a loan agreement by the issuer or any of its subsidiaries, in respect of any loan that is significant to the operations of the group, such that the lender may demand immediate repayment of the loan and where the lender has not issued a waiver in respect of the breach.

Continuing disclosure requirements

17.22 Where the circumstances giving rise to a disclosure obligation under rule 17.15 continue to exist at the issuer's half yearly or quarterly period end or annual financial year end, the information specified under rule 17.17, as at such period end or year end, shall be included in the half-year, quarterly or annual report as applicable.

17.23 Where an obligation arises under rules 17.19, 17.20, 17.21 or 17.43, the disclosures required by these rules should be included in subsequent half-year, quarterly and annual reports for so long as the circumstances giving rise to the obligation continue to exist.

Note: Please refer to rule 17.43 for further details on the continuing disclosure requirements in respect of securities pledged or charged by initial management shareholders and significant shareholders.

17.24 Where the circumstances giving rise to a disclosure under rule 17.18 continue to exist at the issuer's half yearly or quarterly period end or annual financial year end, the issuer's half-year, quarterly or annual report shall include a proforma combined balance sheet of affiliated companies as at the latest practicable date. The proforma combined balance sheet of affiliated companies should include significant balance sheet classifications and state the effective economic interest of the issuer in the affiliated companies. In cases where it is not practicable to prepare the proforma combined balance sheet of affiliated companies, the Exchange, on application from the issuer, may consider to accept, as an alternative, a statement of the indebtedness, contingent liabilities and capital commitments as at the end of the period reported on by affiliated companies.

Material changes following listing

17.25 Any proposed material change to the general character or nature of the business of an issuer or its group must be announced immediately after it has been the subject of any decision; and other than with the prior approval of independent shareholders of the issuer in general meeting, an issuer may not, during the financial year in which dealings in its securities commenced on GEM or the 2 financial years thereafter, implement any such material change.

Note: For these purposes directors, chief executives and management shareholders of the issuer and their respective associates shall not be eligible to vote at a general meeting called to approve such change.

Sufficiency of operations

17.26 An issuer must, at all time, carry out, directly or indirectly, a sufficient level of operations to warrant the continued listing of the issuer's securities.

Winding-up and liquidation

17.27 An issuer shall inform the Exchange and make an announcement on the happening of any of the following events, as soon as the same shall come to the attention of the issuer:—

- (1) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any major subsidiary;
- (2) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any major subsidiary;
- (3) the passing of any resolution by the issuer, its holding company or any major subsidiary that it be wound-up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;

- (4) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets which in aggregate value represents an amount in excess of 15% of the consolidated net tangible assets of the group as shown in the issuer's latest audited consolidated financial statement; or
- (5) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets which in aggregate value represents an amount in excess of 15% of the consolidated net tangible assets of the group as shown in the issuer's latest audited consolidated financial statement.

For the purposes of this rule, a "major subsidiary" means a subsidiary representing 15% or more of the consolidated net tangible assets or pre-tax trading profits of the group as shown in the issuer's latest audited consolidated financial statement.

Notes: 1 For the purposes of determining whether, on the basis of its assets, a subsidiary falls to be treated as a major subsidiary, 100% of that subsidiary's capital and reserves (excluding minority interests and intangibles) or where that subsidiary itself has subsidiaries, the consolidated capital and reserves (excluding minority interests and intangibles) of the subsidiary is to be compared to the capital and reserves (excluding minority interests and intangibles) shown in the issuer's latest published audited consolidated financial statements irrespective of the interest held in the subsidiary.

2 For the purposes of determining whether, on the basis of its profits, a subsidiary falls to be treated as a major subsidiary, 100% of that subsidiary's profit before taxation, minority interests and extraordinary items or where that subsidiary itself has subsidiaries, the consolidated profits before taxation, minority interests and extraordinary items of the subsidiary is to be compared to the profit before taxation, minority interests and extraordinary items shown in the issuer's latest published audited consolidated financial statements irrespective of the interest held in the subsidiary.

3 In the circumstances referred to in Note 9 to rule 17.10, the Exchange may be prepared to give a dispensation from the requirement to make the information public. However, the Exchange must be informed in any event.

General matters relevant to the issuer's securities

Subsequent listing

17.28 An issuer shall, prior to their issue, apply for the listing of any further securities which are of the same class as securities already listed and shall not issue such securities unless approval for the listing of those securities has been granted by the Exchange.

No further issues of securities within 6 months of listing

17.29 No further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject to any agreement to issue within the first 6 months of the date on which securities of the issuer first commence dealing on GEM, save in respect of:

- (1) any capitalisation issue or any consolidation, sub-division or capital reduction of shares; or

- (2) any issue of shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) which satisfies the following requirements:
- (a) the issue is for the purpose of an acquisition of assets which would complement the listed issuer's focused line of business referred to in rule 11.12 and described in the listed issuer's initial listing document, and the acquisition does not constitute a major transaction, very substantial acquisition or reverse takeover pursuant to rules 19.06(3), (4) and (5) respectively;
 - (b) the issue does not result in a controlling shareholder of the listed issuer ceasing to be a controlling shareholder after the issue and, in any event, must not result in a change in control of the listed issuer within the meaning of the Takeover Code;
 - (c) the issue and any transaction related to it is made subject to the approval of shareholders by way of poll with the following persons abstaining from voting: -
 - (i) any connected person and its associates; and
 - (ii) any shareholder who has an interest in the issue and/or the related transaction, other than an interest arising solely by virtue of a shareholding in the listed issuer;
 - (d) the circular in respect of the issue and the related transaction which is despatched to the shareholders of the listed issuer must comply with the requirements of a circular as specified in Chapter 19 and contain such information as is necessary for the independent shareholders to make an informed judgement on the issue and related transaction; and

Note: The circular must include:

- (i) an opinion from an independent financial adviser acceptable to the Exchange stating whether, in the financial adviser's opinion, the terms of the proposed issue and related transaction are fair and reasonable so far as the shareholders of the listed issuer (excluding any of the shareholders described in rule 17.29(2)(c)) are concerned;*
- (ii) a statement as to whether or not the listed issuer and its directors had any plan or intention to acquire the assets concerned before or at the time of the issue of the listed issuer's initial listing document;*
- (iii) the circumstances under which the opportunity to acquire the assets has arisen;*
- (iv) the number of new shares or securities to be issued and the dilution effect on shareholders;*
- (v) information on the assets to be acquired including their value;*
- (vi) an explanation as to how the issue price for the new shares or securities was fixed;*
- (vii) reasons for the acquisition and why it is important for the listed issuer to acquire the assets within six months of its listing;*

- (viii) *the effect of the acquisition on the listed issuer's business and prospects and on the statement of business objectives set out in the listed issuer's initial listing document;*
 - (ix) *how the acquired assets would complement the listed issuer's business;*
 - (x) *details of the persons who would receive the new shares or securities and their connection, if any, with any connected persons of the listed issuer; and*
 - (xi) *to the extent known to the listed issuer prior to issue of the circular, details of any undertakings given or to be given pursuant to rule 17.29(2)(e).*
- (e) where, after the issue, any person who subscribed for new shares or securities under the issue:
- (i) would be entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the listed issuer;
 - (ii) would be a management shareholder; or
 - (iii) would be a director, be represented on the board of directors of the listed issuer or be a member of the senior management of the listed issuer,

such person must comply with the restrictions on disposal of securities set out in rule 13.17(1) (in the case of a person described in rule 17.29(2)(e)(i)), rule 13.16(1)(a) (in the case of a person described in rule 17.29(2)(e)(ii) or (iii) and holding more than 1% of the issued share capital of the listed issuer after the issue) or rule 13.16(1)(b) (in the case of a person described in rule 17.29(2)(e)(ii) or (iii) and holding no more than 1 per cent of the issued share capital of the listed issuer after the issue), except that the period(s) specified in rule 13.16(1) or rule 13.17(1) (as the case may be) shall be deemed to have commenced on the date on which securities of the listed issuer commenced trading on GEM.

Notes: 1 In exceptional circumstances, the Exchange may be prepared to waive the requirements of this rule, for example where the listed issuer raised, at the time of its initial public offering, less than the maximum amount stated in its listing document and so as to enable the listed issuer to raise the shortfall of such maximum amount.

2 For the avoidance of doubt, the provisions of rules 13.18 to 13.20 shall apply to a person described in rule 17.29(2)(e) as if references to "initial management shareholder" or "significant shareholder" were references to such person.

Announcement of issues of securities

17.30 Before the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day following the date on which the directors agree to issue any securities for cash under the authority of a general mandate granted to them by the shareholders in accordance with rule 17.41(2), an issuer shall announce the following information:—

- (1) the name of the issuer;
- (2) the number, class and aggregate nominal value of the securities agreed to be issued;

- (3) the proposed use of the proceeds;
- (4) the issue price of each security and the basis for determining the same;
- (5) the net price to the issuer of each security;
- (6) the reasons for making the issue;
- (7) the names of the allottees, if fewer than 6 in number and, in the case of 6 or more allottees details of such allottees in accordance with rule 10.12(4);
- (8) the market price of the securities concerned on a named date, being the date on which the terms of the allotment were fixed;
- (9) the conditions to which the issue is subject or a negative statement if applicable; and
- (10) any other material information with regard to the issue (including any restrictions on the ability of the issuer to issue further securities or any restrictions on the ability of the allottees to dispose of shares issued to them or any restrictions on the ability of existing shareholders to dispose of their securities arising in connection with the allotment).

Results of offers and rights issues

17.31 An issuer shall announce, in accordance with the provisions of rules 16.13 to 16.15, the results and other details of any offer for subscription, offer for sale, rights issue or open offer.

Note: An issuer shall announce any extension of time granted for the currency of temporary documents of title.

Changes of rights attaching to securities

17.32 An issuer shall inform the Exchange and make an announcement concerning any changes in the rights attaching to any class of securities issued or to be issued by the issuer, including any changes in the terms of conversion or exercise of any of its convertible securities.

Issue of new warrants to existing warrant holders and/or altering the terms of existing warrants

17.33 Without prejudice to the generality of rule 17.32, where an issuer proposes to issue new warrants to existing warrant holders and/or alter the terms of existing warrants, the issuer must comply with the provisions of rules 21.06 and 21.07.

Altering the terms of convertible equity securities

17.34 Without prejudice to the generality of rule 17.32, where an issuer proposes to alter the terms of existing convertible equity securities, the issuer must comply with the provisions of rule 22.03.

Purchase of securities

17.35 An issuer shall submit to the Exchange for publication a completed share buy-back report, in the form set out in Appendix 8, as soon as practicable after any purchase, sale, drawing or redemption by the issuer, or any member of the group, of its listed securities (whether on the Exchange or otherwise) and the Exchange may disseminate such information to such persons and in such manner as the Exchange thinks fit.

Notes: 1 Purchases by the issuer of its own securities (whether on the Exchange or otherwise) must be notified to the Exchange by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following dealing. The information given should include the number of securities purchased and the purchase price per security or the highest and lowest prices paid, where relevant. In this regard, reference is made to the provisions of rule 13.13.

2 Issuers may only purchase their own securities on the Exchange in accordance with the provisions of Chapter 13 of the GEM Listing Rules (amended in the case of a PRC issuer by the provisions of Chapter 25).

Minimum prescribed public holding

17.36 An issuer shall inform the Exchange immediately and publish an announcement, if it becomes aware that the number of listed securities which are in the hands of the public has fallen below the minimum percentage prescribed by rule 11.23, or in the case of a PRC issuer, rule 25.08.

17.37 Once the issuer becomes aware that the number of listed securities in the hands of the public has fallen below the minimum prescribed percentage, the issuer shall take steps to ensure that compliance is resumed from the earliest practicable opportunity.

Notes: 1 Pursuant to the provisions of Chapter 9, the Exchange reserves the right to suspend trading in the issuer's securities or cancel the listing of such securities where the Exchange considers that there are insufficient securities in the hands of the public.

2 In this regard, issuers should also be aware of the notes to rule 11.23 or, in the case of PRC issuers, rule 25.08.

Other listings

17.38 An issuer shall inform the Exchange immediately and publish an announcement, at such time as any of its securities (or the securities of any of its subsidiaries) become listed or dealt in on any other stock exchange or securities market other than GEM, stating which stock exchange or securities market and of any consequences to the holders of securities listed on GEM.

Pre-emptive rights

17.39 Except in the circumstances mentioned in rule 17.41, the directors of an issuer (other than a PRC issuer, to which the provisions of rule 25.23 apply) shall obtain the consent of shareholders in general meeting prior to:—

(1) allotting, issuing or granting:—

(a) shares;

(b) securities convertible into shares; or

(c) options, warrants or similar rights to subscribe for any shares or such convertible securities; and

(2) any major subsidiary of the issuer making any such allotment, issue or grant so as materially to dilute the percentage equity interest of the issuer and its shareholders in such subsidiary.

- Notes: 1 *Importance is attached to the principle that a shareholder should be able to protect his proportion of the total equity by having the opportunity to subscribe for any new issue of equity securities. Accordingly, unless shareholders otherwise permit, all issues of equity securities by the issuer must be offered to the existing shareholders (and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them) pro rata to their existing holdings, and only to the extent that the securities offered are not taken up by such persons may they be allotted or issued to other persons or otherwise than pro rata to their existing holdings. This principle may be waived by the shareholders themselves on a general basis, but only within the limits of rules 17.41 and 17.42.*
- 2 *The restriction in rule 17.39(2) does not apply if the subsidiary is itself listed in Hong Kong because it is then bound by rule 17.39(1) or its equivalent provision on the Main Board. The issuer should normally ensure that its equity interests in a major subsidiary are not materially diluted through any new issue by such subsidiary of equity capital or securities having an equity element without the consent of the issuer's shareholders. In the case of a rights issue, if the issuer does not propose to take up its rights, an arrangement may be made for rights to be offered to the issuer's shareholders so that they can thus avoid a material dilution in their percentage equity interests.*
- 3 *For the purposes of rule 17.39(2), a "major subsidiary" has the same meaning as set out in rule 17.27.*
- 4 *Dilution in a subsidiary is taken to be material:*
- (a) *where, following an allotment of shares, the subsidiary will cease to be consolidated in the accounts of the issuer; or*
- (b) *where the results of the "assets ratio," "profits ratio" or "consideration ratio" (calculated in the manner set out in rule 19.07) are 15% or more.*
- 5 *If the subsidiary is itself a listed issuer and an allotment of shares is made in connection with a scrip dividend scheme where the issuer (or issuer's group) has elected to receive a cash alternative which results in the issuer (or issuer's group) ceasing to hold a majority interest in the subsidiary, the Exchange may be prepared to grant a waiver from treating this as a material dilution of interest. For such a waiver to be granted it will be necessary for the issuer to demonstrate that the reduction in interest is unintentional, temporary in nature, and that the issuer will, within a reasonable period of time, restore its majority holding in the subsidiary.*

17.40 Notwithstanding rule 17.41(2), the directors of the issuer (other than a PRC issuer, to which the provisions of rule 25.23 apply) shall obtain the consent of the shareholders in general meeting prior to allotting any voting shares if such allotment would effectively alter the control of the issuer.

17.41 No such consent as is referred to in rule 17.39 shall be required:—

- (1) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer, excluding for that purpose any shareholder who is resident in a place where such offer is not permitted under the law of that place and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings but subject to rule 10.29; or

- (2) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution in general meeting given a general mandate to the directors of the issuer, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of 20% of the existing issued share capital of the issuer (or in the case of a scheme of arrangement involving an introduction in the circumstances set out in rule 10.18(3), 20% of the issued share capital of the issuer following implementation of the scheme) plus the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the existing issued share capital of the issuer), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20% general mandate.

Note: An issue of securities for cash to a connected person pursuant to a general mandate given under rule 17.41(2) is only permitted in the circumstances set out in rule 20.23(3)

17.42 A general mandate given under rule 17.41(2) shall only continue in force until:—

- (1) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
- (2) revoked or varied by ordinary resolution of the shareholders in general meeting,

whichever occurs first.

Information on the pledging of securities in the issuer

17.43 An issuer shall publish an announcement on being informed of, or on otherwise becoming aware of, any matter referred to in rule 13.19 concerning the pledging or charging of any interests in the relevant securities of the issuer by any initial management shareholder (as defined in rule 13.15) or significant shareholder (so far as known by the issuer). In these circumstances, the information to be announced is as follows:—

- (1) the number and class of securities being pledged or charged;
- (2) the purpose for which the pledge or charge is made;
- (3) any other relevant details; and
- (4) in the event that the pledgee or chargee has disposed of or intends to dispose of any securities, details of the same, including the number of securities affected or to be affected.

Note: 1 Pursuant to rule 17.23, where any obligation arises under rule 17.43, the requisite disclosure made pursuant to this rule should also be included in subsequent half-year, quarterly and annual reports of the issuer for so long as the circumstances giving rise to the obligation continue to exist, provided that such disclosure shall not be required after the expiry of the periods referred to in rule 13.16 or rule 13.17 (as the case may be).

- 2 *The disclosure obligations set out in this rule are separate from the disclosure obligations arising from the pledging or charging of securities by the controlling shareholder of the issuer to secure debts of the issuer or to secure guarantees or other obligations of the issuer, which are dealt with in rules 17.19 and 17.23.*

Meetings

Notices of general meetings

- 17.44 An issuer shall ensure that notice of every general meeting is announced on the same day as it is otherwise given to those entitled to receive the same.

Proxy forms

- 17.45 An issuer shall send with the notice convening a meeting of holders of listed securities to all persons entitled to vote at the meeting proxy forms, with provision for two-way voting on all resolutions intended to be proposed thereat.

Notes: 1 The object of the requirement relating to proxy forms is to ensure that holders have adequate opportunity to express their views on all resolutions intended to be proposed such as the adoption of the annual accounts and re-election of directors.

- 2 *Provided two-way proxy forms are made available, the printing and postal arrangements are matters entirely at the discretion of the issuer. The proxy form must state that if it is returned without an indication as to how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether he votes and if so how. The proxy form must state that a shareholder is entitled to appoint a proxy of his own choice and must provide a space for the name of such proxy.*

Notices to overseas members

- 17.46 An issuer shall send notices to all holders of its listed securities whether or not their registered address is in Hong Kong.

Meetings of holders of securities

- 17.47 (1) An issuer proposing to solicit proxies or votes in connection with any meeting of holders of its securities may only use for such purpose previously published information which remains accurate and is not misleading at the time it is quoted.
- (2) Shareholders must not be put under pressure to vote or abstain from voting at any general meeting and, where their votes are solicited, must be encouraged to consult their professional advisers.
- (3) If the Chairman of the meeting and/or the directors individually or collectively hold proxies in respect of shares holding 5% or more of the total voting rights at a particular meeting, and if on a show of hands a meeting votes in the opposite manner to that instructed in those proxies, the Chairman and/or the directors and the Chairman holding proxies as aforesaid collectively shall demand a poll; provided that if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands (because the votes represented by those proxies exceed 50%, 75% or any other relevant percentage, as the case may be, of the total issued share entitled to vote on the resolution in question) then the directors and/or the Chairman shall not be required to demand a poll.

Board meetings

17.48 An issuer shall inform the Exchange and publish an announcement at least 7 clear business days in advance of the date fixed for any board meeting at which the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year, quarter-year or other period is to be approved for publication.

Board decisions

17.49 An issuer shall inform the Exchange and publish an announcement immediately after (and for the purpose of providing details of) the approval by or on behalf of the board of:—

- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities and the rate and amount thereof;
- (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course;
- (3) any preliminary announcement of profits or losses for any year, or any half-year or quarterly report or results announcements for any or other period; and

Notes: 1 The timing of board meetings is a matter for the convenience and judgement of individual boards, but the Exchange should be informed of, and an announcement be made in respect of, decisions on dividends and results as soon as practicable after such decisions have been taken. The directors are reminded that it is their direct responsibility to ensure that such information is kept strictly confidential until the announcement is made. In the case of a preliminary announcement of results, listed issuers' attention is drawn to the provisions set out in Chapter 18 in relation to the disclosure requirements for quarterly, half-year and annual results announcements.

2 Issuers are reminded that Note 10 to rule 17.10 and Note 1 above are also applicable to a preliminary announcement of results for a full year. As soon as possible after draft accounts have been agreed with the auditors, those accounts, adjusted to reflect any dividend decision, should be approved, in view of their price-sensitive nature, as the basis of a preliminary announcement of results for the full year.

- (4) any proposed change in the capital structure of the issuer, including any redemption of its listed securities.

Note: Once a decision has been made to submit any such proposal to the board, no dealings in any of the relevant securities should be effected by or on behalf of the issuer or any of its subsidiaries until the proposal has been announced or abandoned.

Changes

17.50 An issuer shall inform the Exchange and publish an announcement immediately after (and for the purpose of providing details of) any decision made with regard to:—

- (1) any proposed alteration to the issuer's memorandum or articles of association or equivalent documents and, in the case of a PRC issuer, any proposed request by the PRC issuer or a PRC competent authority to waive or otherwise modify any provision of the Regulations;

Note: Changes to articles of association or equivalent documents must conform with the requirements of Appendix 3 to the GEM Listing Rules and, in the case of an overseas issuer which is incorporated or otherwise established in a jurisdiction in respect of which additional requirements are set out in Appendix 11 (including, for these purposes, the PRC), such changes must conform with Appendix 11.

- (2) any changes in its directorate (or, in the case of a PRC issuer, its supervisory committee), and shall procure that each new director or member of its governing body or, in the case of a PRC issuer, supervisor shall sign and lodge with the Exchange no later than 14 business days prior to the proposed date of his appointment a declaration, undertaking and acknowledgement in the relevant form set out in Appendix 6;

Note: Where the resignation of a director takes effect, the Exchange should be informed immediately thereafter. The Exchange should be informed of any proposed appointment of a director at least 14 business days in advance. The issuer should simultaneously make arrangements to ensure that the appointment or resignation of the director is announced as soon as practicable. The Exchange should be informed of any important change in the holding of an executive office.

- (3) any change in its secretary (see rule 5.09) qualified accountant (see rule 5.10) compliance officer (see rule 5.14) or member of the audit committee (see rule 5.23);
- (4) any change in its auditors or financial year end; and
- (5) any change in its registered address or registered office or (as applicable) its registered place of business in Hong Kong or agent for the service of process in Hong Kong.

Appointments outstanding

- 17.51 An issuer shall inform the Exchange and publish an announcement in the event that there remains outstanding the appointment of any individual(s) to the position of qualified accountant and/or compliance officer or should the issuer have fewer than 2 independent non-executive directors or be unable to constitute an audit committee, in each case as required pursuant to Chapter 5.

Amendments to company information sheet

- 17.52 An issuer shall submit to the Exchange (in the electronic format specified by the Exchange from time to time) for publication on the GEM website a revised company information sheet, in the prescribed form set out in Appendix 5F, together with a hard copy duly signed by or on behalf of each of the directors of the issuer, as soon as reasonably practicable after any particulars on the form previously published cease to be accurate.

Announcements, circulars and other documents

Review of documents

- 17.53 In addition to the specific requirements set out in the GEM Listing Rules, the issuer shall:—

- (1) submit to the Exchange copies of drafts, for review before they are issued, of any announcements or advertisements relating to the issue of new or further securities (other than pursuant to a capitalisation issue or a scrip dividend scheme) or any announcements or advertisements the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed securities (including a suspension of dealings);

- (2) submit to the Exchange copies of drafts, for review before they are issued, of any documents issued in connection with takeovers, mergers or offers;
- (3) submit to the Exchange copies of drafts for review before they are issued, of any proposed amendment to its memorandum or articles of association;
- (4) submit to the Exchange copies of drafts, for review before they are issued, of any announcements, as required under rule 17.43, concerning the pledging or charging of interests in the securities of the issuer by any initial management shareholder or significant shareholder; and
- (5) not issue any of such documents until the Exchange has confirmed to the issuer that it has no further comments thereon.

Notes: 1 4 copies of each document are required, which should be submitted in sufficient time for review and, if necessary, re-submission prior to dissemination or final printing.

2 Upon submission, for review, of the first draft of any document by electronic means, the issuer or other responsible party, is required to notify the GEM Listing Division of such submission by telephone, facsimile or letter.

3 In the case of documents issued in connection with takeovers, mergers or offers covered by the Takeover Code, the Exchange will pass its comments on the document and, if appropriate, its confirmation that it has no further comments thereon in writing to the Commission who will notify the issuer of any such comments and the Exchange's confirmation that it has no further comments thereon. The issuer should ensure that the Commission furnishes it with a copy of the Exchange's letter confirming that it has no further comments thereon.

4 It is not necessary to submit a draft of a half-year, quarterly or other interim report or preliminary announcement of results so long as it conforms with the requirements of chapter 18, unless it contains any information falling within rule 17.53(1).

5 Changes to articles of association or equivalent documents must conform with the requirements of Appendix 3.

6 The Exchange reserves the right to require an issuer to issue a further announcement or document, particularly if the original announcement or document was not required by the GEM Listing Rules to be reviewed by the Exchange, or if the original announcement or document is misleading or is likely to create a false or misinformed market.

17.54 (1) Any listing document, circular or announcement issued by an issuer pursuant to the GEM Listing Rules is required to contain the statement of responsibility and confirmation set out in rule 2.18.

- (2) Any listing document, circular, announcement or notice issued by an issuer pursuant to the GEM Listing Rules must contain on its front cover or as a heading a prominent and legible disclaimer statement in the form set out in rule 2.19.

- (3) Any listing document or circular and every annual report and accounts, half-year and quarterly report issued by an issuer pursuant to the GEM Listing Rules (excluding any Explanatory Statement issued pursuant to rule 13.08) must contain at a prominent position in the document, and in bold type, a statement about the characteristics of GEM, in the form set out in rule 2.20.
- (4) Any listing document issued by an issuer must contain a statement to the effect that dealings in securities of the issuer may be settled through CCASS and that investors should seek the advice of their stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

17.55 Where an announcement, advertisement or any other document contains a profit forecast, the provisions of rules 14.28 to 14.31 will apply.

Presentation of information

17.56 Without prejudice to any specific requirements of the GEM Listing Rules as to content or responsibility for the document in question, any announcement, listing document or circular required pursuant to the GEM Listing Rules should be prepared having regard to the following general principles:—

- (1) the information contained in the document should be clearly presented and should be in the plain language format specified or recommended by the Exchange and/or the Commission from time to time; and
- (2) the information contained in the document should not be misleading or deceptive, in which regard the issuer should avoid:—
 - (a) omitting material facts of an unfavourable nature or failing to accord them with appropriate significance;
 - (b) presenting favourable possibilities as certain or as more probable than is likely to be the case;
 - (c) presenting projections without sufficient qualification or explanation; or
 - (d) presenting risk factors in such a way as to create a positive implication.

Forwarding of documents, circulars, etc.

17.57 An issuer shall forward to the Exchange:—

- (1) 25 copies of each of the English language version and the Chinese language version of:
 - (a) all circulars to holders of the issuer's listed securities; and
 - (b) its annual report and accounts and, where applicable, its summary financial report; and
 - (c) its half-year and quarterly reports.

at the same time as they are despatched to holders of the issuer's listed securities with registered addresses in Hong Kong;

- (2) 10 copies of documents relating to takeovers, mergers and offers, notices of meetings, forms of proxy, reports, announcements or other similar documents at the same time as they are issued; and
- (3) 10 certified copies of all resolutions of the issuer including resolutions concerning any of the matters set out in rules 17.39 to 17.41, other than resolutions concerning any other routine business at an annual general meeting, within 15 days after they are passed.

Notes: 1 Wherever practicable, the issuer should provide the Exchange and shareholders with such reasonable number of additional copies of these documents as the Exchange and shareholders may request.

2 The copies referred to in Note 1 above may be in photocopied form, provided always that such copies are all complete and legible.

Circulars to holders of securities

17.58 In the event of a circular being issued to the holders of any of the issuer's securities, the issuer shall issue a copy or summary of such circular to the holders of all its other securities unless the contents of such circular are of no material concern to such other holders.

17.59 All circulars sent to holders of the issuer's securities must be in the English language and be accompanied by a Chinese translation or be in the Chinese language and be accompanied by an English translation. In respect of overseas members, it shall be sufficient for the issuer to mail an English language version of the circular if it contains a prominent statement in both English and Chinese to the effect that a Chinese language version of the circular is available from the issuer, on request.

Corporate communications to non registered holders of securities

17.60 An issuer shall:—

- (1) as soon as practicable following a request to HKSCC, and at the expense of the issuer, send to any non registered holder (by means permitted by the GEM Listing Rules) copies of any corporate communications; and
- (2) forward to each participant, other than a broker participant, regardless of whether the participant is a member of the issuer, one copy of each of the corporate communications of the issuer that relate to the relevant Eligible Security, at the same time as they are despatched to the holders of those securities with registered addresses in Hong Kong. Whenever practicable, an issuer should provide a participant with such reasonable number of additional copies of these documents as the participant requests in advance and undertakes to forward to its bona fide clients who have beneficial interests in those Eligible Security.

Notes: 1 For the purpose of this rule, the following terms have the following meanings:—

“broker participant” a participant admitted to participate in CCASS as a broker participant;

“non registered holder” such a person or company whose listed securities are held in CCASS, directly or through a participant, and who has notified the issuer from time to time, through HKSCC, that such person or company wishes to receive corporate communications; and

“participant” a person or company admitted for the time being by HKSCC as a participant of CCASS.

2 HKSCC will provide listed issuers with up to date lists of participants other than broker participants.

Increases in authorised capital

17.61 Where an increase in authorised capital is proposed, the directors must state in the explanatory circular or other document accompanying the notice of meeting whether they have any present intention of issuing any part of that capital.

Trading and Settlement

Standard transfer form

17.62 In relation to the transfer of equity securities, an issuer must adopt the standard form of transfer as prescribed by the Exchange from time to time.

Certification of transfers

17.63 An issuer shall:—

- (1) certify transfers against certificates or temporary documents and return them by the seventh day after the date of receipt; and

- (2) split and return renounceable documents by the third business day after the date of receipt.

Note: Documents of title lodged for registration of probate should be returned with minimum delay, and, if possible, on the next business day following receipt.

Registration services

- 17.64 An issuer (or its registrar) must provide a standard securities registration service in accordance with rule 17.68. An issuer (or its registrar) may, but shall not be obliged to, provide an optional securities registration service in accordance with rule 17.69 and/or an expedited securities registration service in accordance with rule 17.70. An issuer (or its registrar) must also provide a bulk securities registration service in accordance with rule 17.71 and a certificate replacement service in accordance with rule 17.72. Subject to rule 17.65 below, the issuer shall ensure that where the issuer (or its registrar) charges a fee for registering transfers or cancelling, splitting, consolidating or issuing definitive certificates relating to the issuer's listed securities, such fee must not exceed, in total, the applicable amounts prescribed in rules 17.68 to 17.72.
- 17.65 An issuer shall ensure that where it (or its registrar) charges a fee for registering other documents relating to or affecting the title to the issuer's listed securities (e.g. probate, letters of administration, certificates of death or marriage, powers of attorney or other instruments or memorandum and articles of association in respect of a new corporate holder) or for marking or noting documents, such fee must not exceed HK\$5 per item per register.

Note: "Per item" shall be defined to mean each of such other documents submitted for registration.

- 17.66 It is the responsibility of an issuer whose registrar is in breach of any of rules 17.63 to 17.74 to report such breach to the Exchange as soon as it becomes aware of the breach and the Exchange reserves the right to communicate such information to the Commission.
- 17.67 Save as provided in rules 17.64 to 17.66 or rules 17.68 to 17.74, the issuer shall ensure that neither it nor its registrar or other agents will charge holders or transferees any other fees for any dealings with them in connection with the transfer or transmission of its listed securities.

Issue of certificates, registration and other fees

- 17.68 (1) Standard securities registration service: An issuer shall (or shall procure that its registrar shall) issue definitive certificates arising out of a registration of transfer or the cancelling, splitting, consolidating or issuing (otherwise than pursuant to rule 17.72) of certificates within:—
- (a) 10 business days of the date of expiration of any right of renunciation; or
 - (b) 10 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the standard securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$2.50 multiplied by the number of certificates issued; or
 - (b) HK\$2.50 multiplied by the number of certificates cancelled.

- 17.69 (1) Optional securities registration service: An issuer (or its registrar) may, but shall not be obliged to, provide an optional securities registration service under which definitive certificates are required to be issued within:—
- (a) 6 business days of the date of expiration of any right of renunciation; or
 - (b) 6 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the optional securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$3.00 multiplied by the number of certificates issued; or
 - (b) HK\$3.00 multiplied by the number of certificates cancelled.
- (3) If the issuer (or its registrar) fails to effect any registration within the period of 6 business days specified in rule 17.69(1), the fee for such registration shall be that determined in accordance with rule 17.68(2).
- 17.70 (1) Expedited securities registration service: An issuer (or its registrar) may, but shall not be obliged to, provide an expedited securities registration service under which definitive certificates are required to be issued within:—
- (a) 3 business days of the date of expiration of any right of renunciation; or
 - (b) 3 business days of the receipt of properly executed transfer or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the expedited securities registration service shall not exceed, in total, the higher of the following:
- (a) HK\$20.00 multiplied by the number of certificates issued; or
 - (b) HK\$20.00 multiplied by the number of certificates cancelled.
- (3) If the issuer (or its registrar) fails to effect any registration within the period of 3 business days specified in rule 17.70(1), the registration shall be performed free of charge.
- 17.71 (1) Bulk securities registration service: An issuer shall (or shall procure that its registrar shall) provide a bulk securities registration service, for transfers of listed securities representing 2,000 or more board lots of the issuer's listed securities where the securities are being transferred from the name of a single holder into the name of another or the same single holder. Certificates shall be issued pursuant to the bulk securities registration service within 6 business days of the receipt of properly executed transfers or other relevant documents or the relevant certificates.
- (2) The fee for registration pursuant to the bulk securities registration service shall not exceed, in total, the higher of the following:—
- (a) HK\$2.00 multiplied by the number of certificates issued; or
 - (b) HK\$2.00 multiplied by the number of certificates cancelled.

17.72 Certificate replacement service: An issuer shall (or shall procure that its registrar shall) provide a certificate replacement service. The fee for replacing certificates:

- (1) representing securities with a market value of HK\$20,000 or less (at the time the request for replacement is made) for a person named on the register shall not exceed HK\$200.00, plus the costs incurred by the issuer (or its registrar) in publishing the required public notice; or
- (2) either:
 - (a) representing securities with a market value of more than HK\$20,000 (at the time the request for replacement is made); or
 - (b) for a person not named on the register (irrespective of the market value of the securities concerned);

shall not exceed HK\$400.00, plus the costs incurred by the issuer (or its registrar) in publishing the required public notice.

17.73 For the purposes of rules 17.68 to 17.72,

- (1) the expression "business day" shall exclude Saturdays, Sundays and public holidays in Hong Kong; and
- (2) in computing any period of business days, such period shall be inclusive of the business day on which the relevant transfers, certificates or other documents were received (or, if such documents were not received on a business day, the business day next following their receipt) and of the business day on which the relevant certificates were delivered or otherwise made available.

17.74 References in rules 17.64 to 17.72 to the issuer's registrar providing a service, or to the issuer procuring that its registrar shall provide a service, shall not relieve the issuer of any obligations in respect of any acts or omissions of its registrar.

Registration arrangements

17.75 In connection with rules 17.63 to 17.74 if the issuer does not maintain its own registration department, appropriate arrangements must be made with the registrars to ensure compliance with the provisions of such rules.

Trading limits

17.76 Where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Change in board lot size

17.77 In the event of any amendment to the capital structure (such as a consolidation of shares) or any amendment to the board lot size, the Exchange reserves the right to request that adequate arrangements are made to enable resulting odd lot holders either to dispose of their odd lots or to round them up to a board lot. It may be appropriate for the issuer to appoint a broker as its agent to match the sales and purchases of odd lots or for the major shareholder itself or by its agent to stand in the market to buy or sell odd lot securities. The particular circumstances of an issuer may dictate the method by which odd lot holders are to be accommodated and issuers are urged to consult the Exchange at the earliest opportunity to agree on the appropriate trading method.

Closure of books

17.78 The issuer shall give notice (by way of an announcement) of the closure of its transfer books or register of members at least 14 days prior to such closure. In cases where there is an alteration of book closing dates, a further notice shall be given at least 6 days before the closure, unless exceptional circumstances render the giving of such notice impossible, in which case, a further notice (by way of an announcement) should be given as soon as practicable, save that no further notice need be given in the circumstances referred to in rules 17.79 to 17.80.

Emergency share registration arrangement during a typhoon

17.79 Under the T+2 settlement system, securities trade ex-entitlement (an “ex-date”) for two trading days prior to the advertised date on which a listed issuer’s transfer books or register of members is to be closed (the “book-close date”) preceding a record date; the 2 trading days prior to the book-close date being referred to in this rule (and rule 17.80) as the first and second ex-date, respectively. A typhoon occurring on either of the two ex-dates may affect the ability of the purchaser to effect registration in time. Accordingly, in the event of a typhoon, the following arrangements will apply:—

- (1) Where the No. 8 signal or above is hoisted or remains hoisted between 9 am and 12 noon on either the first or second ex-date and is not lowered at or before 12 noon on the relevant ex-date:—
 - (a) the last time for accepting shares for registration shall be deferred to the next business day during normal business hours for each ex-date affected; and
 - (b) the book-close date shall be automatically postponed by the number of ex-dates affected;
- (2) Where the No. 8 signal or above is hoisted or remains hoisted between 12 noon and 3 pm on either the first or second ex-date:—
 - (a) the last time for accepting shares for registration shall be deferred to the next business day during normal business hours for each ex-date affected; and
 - (b) the book-close date shall be automatically postponed by the number of ex-dates affected;
- (3) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the first ex-date, no changes will be made to the timetable for accepting shares for registration in respect of the reduced business hours on such ex-date;
- (4) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the second ex-date but lowered at or before 9 am on the next business day:—
 - (a) the last time for accepting shares for registration shall be deferred to 12 noon on the next business day; and
 - (b) if the original book-close date is not a business day, the book-close date shall be automatically postponed to the next business day;
- (5) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the second ex-date but lowered after 9 am but at or before 12 noon on the next business day:—

- (a) the last time for accepting shares for registration shall be deferred to 5 pm on the next business day; and
 - (b) if the original book-close date is not a business day, the book-close date shall be automatically postponed to the next business day;
- (6) Where the No. 8 signal or above is hoisted between 3 pm and 4 pm on the second ex-date but not lowered until after 12 noon on the next business day:—
- (a) the last time for accepting shares for registration shall be deferred to 12 noon on the following business day; and
 - (b) the book-close date shall be automatically postponed to such date;
- (7) Where the No. 8 signal is lowered at or before 12 noon on the first ex-date, no changes will be made in respect of the time for accepting shares for registration or the book-close date in respect of the reduced business hours on such ex-date. On the other hand, where the No. 8 signal is lowered at or before 12 noon on the second ex-date, the time for accepting shares for registration shall be deferred to at least 5 pm on the same day but no change will automatically be made to the book-close date;
- (8) In each of the circumstances referred to in sub-paragraphs (1) to (7) above, listed issuers may alter the stated book-closure period in accordance with any delays made to the book-close date so that the book-closure period remains the same;
- (9) Listed issuers shall not be required to make any announcements with respect to changes made to the ex-dates or the book-close date in accordance with this rule. All investors and practitioners should be aware of these emergency share registration arrangements as any subsequent announcement given of date changes after a typhoon is not likely to assist them. On the other hand, if the deferments referred to above affect the dividend payment date or the end of the book-closure period, a listed issuer must give notice (by way of an announcement) of the new dividend payment date and any extension in the book-closure period as soon as practicable;
- (10) Where any of the circumstances referred to in sub-paragraphs (1) to (7) above occur on any deferred ex-dates or on a postponed book-close date, the same arrangements will apply mutatis mutandis;
- (11) Listed issuers are required to ensure that where a book-close date is automatically altered by virtue of these arrangements any reference to such date in a resolution, listing document, announcement or circular to shareholders will include such altered date.

Notes: 1 For clarity, the proposed arrangements have been summarised in Table 1 set out at the end of this Chapter.

2 For the purposes of this rule and Table 1 set out at the end of this Chapter:—

- (a) *references to “normal business hours” in respect of a share registrar means at least 9.30 am to 4 pm; and*
- (b) *references to a “trading day” shall have the same meaning as in the Rules of the Exchange.*

Emergency share registration arrangements during a black rainstorm warning

17.80 A black rainstorm warning occurring on either of the 2 ex-dates (as defined in rule 17.79) may affect the ability of the purchaser to effect registration in time. Accordingly, in the event of a black rainstorm warning, the following arrangements will apply:-

- (1) Where a black rainstorm warning is issued before 10 am and remains in effect at 12 noon:—
 - (a) the last time for accepting shares for registration shall be deferred to the next business day during normal business hours for each ex-date affected; and
 - (b) the book-close date shall be automatically postponed by the number of ex-dates affected;
- (2) Where a black rainstorm warning issued before 10 am is discontinued at or before 12 noon on either the first or second ex-date, the time for accepting shares for registration shall be deferred to 5 pm on the same day but no change will automatically be made to the book-close date;
- (3) Where a black rainstorm warning is issued after 10 am, no changes will be made in respect of the time for accepting shares for registration or the book-close date as the share registrar will open to the public as normal;
- (4) In each of the circumstances referred to sub-paragraph (1) to (3) above, listed issuers may alter the stated book-closure period in accordance with any delays made to the book-close date so that the book-closure period remains the same;
- (5) Listed issuers shall not be required to make any announcements with respect to changes made to the ex-dates or the book-close date in accordance with this rule. All investors and practitioners should be aware of these emergency share registration arrangements as any subsequent announcement given of date changes after a black rainstorm warning is not likely to assist them. On the other hand, if the deferments referred to above affect the dividend payment date or the end of the book-closure period, a listed issuer must give notice (by way of an announcement) of the new dividend payment date and any extension in the book-closure period as soon as practicable;
- (6) Where any of the circumstances referred to in sub-paragraphs (1) to (3) above occur on any deferred ex-dates or on a postponed book-close date, the same arrangements will apply mutatis mutandis;
- (7) Listed issuers are required to ensure that where a book-close date is automatically altered by virtue of these arrangements any reference to such date in a resolution, listing document, announcement or circular to shareholders will include such altered date.

Notes: 1 For clarity, the proposed arrangements have been summarised in Table 2 set out in the end of this Chapter.

2 For the purposes of this rule and Table 2 set out at the end of this Chapter:—

- (a) *references to “normal business hours” in respect of a share registrar means at least 9.30 am to 4 pm; and*
- (b) *references to a “trading day” shall have the same meaning as in the Rules of the Exchange.*

Miscellaneous obligations

Sponsor-related matters

- 17.81 A new applicant must appoint a Sponsor pursuant to a contract for a fixed term period covering at least the remainder of the financial year during which the listing occurs and the 2 financial years thereafter.
- 17.82 Notwithstanding the expiry of the period referred to in rule 17.81, an issuer must appoint a Sponsor in the circumstances referred to in rule 6.02.
- 17.83 In order that the Sponsor may perform its responsibilities:—
- (1) an issuer must ensure that the Sponsor has access, at all times, to the issuer's authorised representatives, directors and other officers and should procure that such persons provide promptly to the Sponsor such information and assistance as the Sponsor may need or may reasonably request;
 - (2) the issuer must ensure that there are adequate and efficient means of communication between itself, its authorised representatives, directors and other officers and the Sponsor and must keep the Sponsor fully informed of all communications and dealings between it and the Exchange;
 - (3) under rule 6.54, the issuer shall review, regularly with the Sponsor, the issuer's operating performance and financial condition against the issuer's statement of business objectives and against any profit forecast, estimate or projection included in the issuer's listing document or otherwise made public by or on behalf of the issuer; and
 - (4) under rule 6.55, the issuer shall provide the Sponsor with drafts or proofs of all announcements, listing documents and circulars, required to be issued under the GEM Listing Rules and the annual report and accounts, half-year report and quarterly reports, in each case, as soon as practicable prior to the proposed date of publication and allowing sufficient time for the Sponsor to review and comment on the drafts or proofs.

Note: See also rule 17.04 concerning the advice and guidance that should be sought by the directors of the issuer from the Sponsor.

- 17.84 In the event that the contract between an issuer and its Sponsor is terminated by the issuer, for whatsoever reason, prior to the expiry of the period referred to in rule 17.81 or any period fixed for the purposes of rule 17.82, the issuer must immediately notify the Exchange of the termination and the reasons therefor.
- 17.85 In the circumstances set out in rule 17.84, an issuer must, as soon as practicable, publish an announcement, stating the reasons for the termination, and make immediate arrangements to appoint a replacement Sponsor for at least the balance of the minimum period referred to in rule 17.81 or any period fixed for the purposes of rule 17.82 and must inform the Exchange and publish a further announcement immediately after the appointment has been made. The issuer must, in any event, appoint a replacement Sponsor within 3 months of the date on which the former Sponsor ceased to act.

Note: The replacement Sponsor must not have been admitted to the Exchange's list to act only in the capacity of a co-Sponsor (see rule 6.04).

- 17.86 The appointment or termination of a Sponsor in any circumstances other than as referred to above, must be announced by the issuer as soon as practicable after such appointment or termination.
- 17.87 An issuer must ensure that the documents referred to in rule 6.36 set out the interests of the Sponsor (and its directors, employees and associates) as advised to it by the Sponsor pursuant to rule 6.35.

Equality of treatment

- 17.88 An issuer shall ensure equality of treatment for all holders of securities of the same class who are in the same position.

Takeovers and share repurchases

- 17.89 An issuer must comply with the Takeover Code and the Code on Share Repurchases.

Notes: 1 Where the consideration under an offer includes securities for which listing is being or is to be sought, the offer document(s) will constitute a listing document. Whether the consideration under an offer comprises cash or securities (or a combination of both), drafts of all documents to be issued in connection with takeovers, mergers or offers must be submitted to the Exchange for review in accordance with rule 17.53.

2 If the substance of a proposed transaction is a takeover, merger or a share repurchase related matter the Exchange will normally pass its comments on any documents submitted to it to the Takeovers and Mergers Executive who will relay such comments to the listed issuer or its advisers. If the substance of a proposed transaction is a listing related matter, but the transaction also has takeover, merger or share repurchase related aspects, the Takeovers and Mergers Executive will normally pass its comments on any documents submitted to it to the Exchange, who will relay such comments to the listed issuer or its advisers. In either case, whenever a proposed transaction, or any aspect thereof is governed by, or subject to the Takeover Code or the Code on Share Repurchases, any announcement, advertisement or document to be issued in relation to the transaction should be filed with the Takeovers and Mergers Executive and the Exchange simultaneously to facilitate the processing of the documents in a timely manner and in a manner that is consistent with the above clearance procedures.

Directors' service contracts

- 17.90 An issuer shall procure that no service contract of 3 years or longer duration shall be granted by the issuer or any of its subsidiaries to any director or proposed director of the issuer or to any director or proposed director of any subsidiary without the prior approval of the shareholders of the issuer in a general meeting at which the relevant director did not vote on the matter.

Note: A contract is relevant whether or not reduced to writing. A service contract is relevant whether granted by the issuer or any of its subsidiaries. A service contract not for a fixed period is to be regarded as running at least until the earliest date on which it can lawfully be determined by the employing company without payment of compensation (other than statutory compensation). Where an arrangement exists under which a director can require the issuer or any of its subsidiaries to enter into a further service contract with him, the arrangement will be regarded as a provision for extending the period of his existing service contract and taken into account in determining its duration.

**TABLE 1 (CHAPTER 17)
EMERGENCY SHARE REGISTRATION ARRANGEMENTS FOR T + 2
SETTLEMENT SYSTEM**

Event	Ex-entitlement Day (Ex-Date)	Typhoon Approach/Retreat		Registrar	Book-Close Date	Closed Period for Transfer Books or Register of Members	Announcements Required
		Time	Status of Signal				
1	First	9 am - 12 noon	No. 8 Signal or higher is hoisted or remains hoisted and is not lowered at or before 12 noon	For each ex-date affected defer to the next business day (normal business hours)	Automatically postponed by number of ex-dates affected	The book-closure period may be extended in accordance with the delay to the book-closure period so that the book-closure period remains the same	No announcement required unless:- (i) the payment date is also deferred, in which case an announcement of the new payment date must be made by the listed issuer; or (ii) the book-closure period is extended, in both cases the listed issuer must publish a notice of such changes as soon as possible.
	Second						
3	First	12 noon - 3 pm	No. 8 Signal or higher is hoisted or remains hoisted during this period	No deferment on first ex-date	No change	No change	No announcement required
	Second						
5	First	3 pm - 4 pm	No. 8 Signal or higher is hoisted	No deferment on first ex-date	No change	No change	No announcement required
6	Second	3 pm - 4 pm	No. 8 Signal or higher is hoisted but lowered at or before 9 am on the next business day	Defer to 12 noon or the next business day	If the original book-closure date is a business day - no change. Otherwise postponed to the next business day	The book-closure period may be extended in accordance with the delay to the book-closure period so that the book-closure period remains the same	No announcement required unless:- (i) the payment date is also deferred, in which case an announcement of the new payment date must be made by the listed issuer; or (ii) the book-closure period is extended, in both cases the listed issuer must publish a notice of such changes as soon as practicable.

Event	Ex-entitlement Day (Ex-Date)	Typhoon Approach/Retreat		Registrar	Book-Close Date	Closed Period for Transfer Books or Register of Members	Announcements Required
		Time	Status of Signal				
7	Second	3 pm - 4 pm	No. 8 Signal or higher is hoisted but lowered after 9 am but at or before 12 noon on the next business day	Defer to 5 pm on the next business day	If the original book-close date is a business day – no change. Otherwise postponed to the next business day		
8	Second	3 pm - 4 pm	No. 8 Signal or higher is hoisted but not lowered until after 12 noon on the next business day	Defer to 12 noon on the business day following the next business day ("B day")	Automatically postponed to B day		
9	First	As or before 12 noon	No. 8 Signal is lowered	No deferment	No change	No change	No announcement required
10	Second	As or before 12 noon	No. 8 Signal is lowered	Extension to 5 pm			

NB: Where any of the above events happen on deferred ex-dates or on a postponed book-close date the relevant arrangements set out above will apply mutatis mutandis.

**TABLE 2 (CHAPTER 17)
EMERGENCY SHARE REGISTRATION ARRANGEMENTS DURING A BLACK RAINSTORM WARNING**

Event	Ex-entitlement Day (Ex-Date)	Typhoon Approach/Retreat		Registrar	Book-Close Date	Closed Period for Transfer Books or Register of Members	Announcements Required
		Time	Status of Signal				
1	First	Before 10 am	A Black Rainstorm Warning is issued and remains in effect at 12 noon	For each ex-date affected defer to the next business day (normal business hours)	Automatically postponed by number of ex-dates affected	The book-closure period may be extended in accordance with the delay to the book-close date so that the book-closure period remains the same	No announcement required unless:- (i) the payment date is also deferred, in which case an announcement of the new payment date must be made by the listed issuer, or (ii) the book-closure period is extended, in both cases the listed issuer must publish a notice of such changes as soon as possible.
	Second						
3	First	Before 10 am	A Black Rainstorm Warning issued before 10 am but discontinued at or prior to 12 noon	Extension to 5 pm on the same day	No change	No change	No announcement required
	Second						
5	First	After 10 am	A Black Rainstorm Warning issued after 10 am	No change	No change	No change	No announcement required
	Second						

NB: Where any of the above events happen on deferred ex-dates or on a postponed book-close date the relevant arrangements set out above will apply mutatis mutandis.