



HKEX Consults on GEM Listing Reforms

On 26 September 2023, the Hong Kong Stock Exchange (**HKEX**) published a [Consultation Paper](#) setting out reforms to the GEM Listing Rules aimed at encouraging more companies to list on GEM after two years when only one company listed on the market. A key proposal relates to the introduction of an alternative listing eligibility test to allow the listing of high growth enterprises that cannot meet GEM's positive cashflow test due to their heavy engagement in research and development (**R&D**). The alternative listing requirement would require a listing applicant to have: an expected market capitalisation of HK\$250 million at the time of listing; HK\$100 million revenue (in aggregate) for the two most recent audited financial years; year-on-year growth over that period; and HK\$30 million of incurred R&D expenditure (in aggregate) for the two financial years before listing, with each financial year's incurred R&D expenditure being at least 15% of its total operating expenditure for the same period. The HKEX's other proposals include:

- (1) re-introducing a streamlined transfer mechanism to enable qualified GEM issuers to transfer to the Main Board without having to appoint a sponsor to carry out due diligence or produce a "prospectus-standard" listing document; and
- (2) aligning certain GEM Listing Rule requirements with those of the Main Board by (among others) removing the mandatory quarterly reporting requirement and reducing the lock-up period on controlling shareholders from 24 to 12 months.

The HKEX is seeking market feedback on its proposals and the deadline for responding to the Consultation Paper is 6 November 2023. Interested parties can respond by completing and submitting the questionnaire on the [HKEX website](#).

Background of Current GEM Market

Recent market quality reforms

The HKEX conducted a public consultation in 2017 in respect of the Review of Growth Enterprise Market (**GEM**) and Changes to the GEM and Main Board Listing Rules.¹ Following the consultation, the HKEX removed the previous process whereby GEM issuers could transfer to the Main Board if they meet the Main Board admission requirements without the need to appoint a sponsor and to issue a listing document (GEM Streamlined Process)

as a result of concerns that GEM's lower admission requirements (as compared with those of the Main Board) may have been exploited by certain companies to access the Hong Kong capital markets for the premium attached to a listing status and may have led to an increase of listed shell companies.

In light of actions taken by the HKEX and the Securities and Futures Commission of Hong Kong (**SFC**) in the past years, such as increasing the minimum profit and market capitalisation thresholds for listing on the Main Board, introduction of a more robust framework targeting long-suspended issuers, and enhancements of the reverse takeover rules and continuing listing criteria, these activities have largely ceased.

Recent HKEX GEM listing performance

In the HKEX's review of the current GEM market, the HKEX has noted the following:

- the number of new listings and funds raised on GEM have significantly declined. In 2019, there were 15 initial public offerings (**IPOs**), which together with GEM-listed companies' post-listing fund raisings, raised HK\$4.3 billion, while there were no IPOs and only HK\$2.7 billion raised in post-listing fund raisings in 2022;
- a large number of issuers listed on GEM derive the majority of their revenue from Hong Kong (46%) or Mainland China (33%);
- GEM investors include various institutions, corporates and individuals, with average shareholdings by these investors of 7.3%, 39.2%, and 40.4%, respectively;
- approximately 75% of GEM issuers belong to one of the following four industries: consumer discretionary, information technology, properties and construction and industrials;
- the COVID-19 pandemic (from 2020 to 2022) had a significant impact on the financial performance of businesses in the above four industries in which most GEM issuers belonged to due, amongst others, reduced consumer spending and supply chain challenges, which resulted in an average 39% drop in their total market capitalisation since 2019;
- approximately one-third of GEM issuers derive the majority of their revenue from Mainland China; and
- the launch of the Beijing Stock Exchange (**BSE**), which is a market dedicated to listing "innovative SMEs", meant that Mainland SMEs now have a broader range of potential listing venues.

In the Consultation Paper, the HKEX highlights its commitment to SMEs, which it considers to be the backbone of the Hong Kong economy, driving innovation, employment and economic growth, and accounted for more than 98% of businesses and around 45% of employment in Hong Kong. Recognising its role as a funding source for SMEs seeking long-term corporate investment to sustain their innovation, the HKEX has implemented initiatives to support issuers, start-ups and entrepreneurs. These include connection programs (such as Hong Kong Fintech Week and GBA Fintech Talent Initiative) that foster collaboration, innovation and growth, as well as the introduction of a digital investor relations platform (IR Connect) for Hong Kong-listed issuers. The HKEX states that its goal is to provide a diverse range of investment options and enable effective portfolio diversification for investors.

Facilitating SME listings remains a key priority for the HKEX, and the HKEX states that it will continue to implement innovative listing reforms catering to the evolving needs of a broad range of issuers.

Stakeholder Feedback

The HKEX recently completed a consultation in 2021 on changes to the Main Board Profit Requirement in which some respondents expressed doubts about the viability of GEM as a listing platform for SMEs and traditional companies.² In response, the HKEX announced a review of GEM to evaluate GEM's positioning, market perception and feasibility as an alternative to the Main Board. During the review process, the HKEX engaged with stakeholders (such as industry associations, professional bodies, law firms, sponsor firms and investment managers in Hong Kong) to address the concerns raised. Additionally, feedback was sought from Mainland institutional SME investors (including securities firms and investment managers who actively invest or hold interests in BSE listed issuers) as BSE has attracted more SME listings and exhibits significantly higher trading liquidity compared to GEM.

Some stakeholders considered that the existing eligibility requirements for listing on GEM are too high and uncompetitive and should allow for alternative eligibility requirements, whilst the Mainland institutional SME

investors considered that GEM's listing eligibility requirements were already low compared to peer exchanges. Some stakeholders and Mainland institutional SME investors also raised concerns relating to the continuing obligations of GEM issuers. The HKEX received requests from respondents to reinstate the streamlined mechanism for transfer of listing from GEM to the Main Board given their concerns that the cost of listing on GEM (in terms of listing expenses, process of listing and compliance costs) is particularly high for SMEs relative to the funds raised at listing.

The GEM reforms set out in the Consultation Paper have been developed by the HKEX to address the key issues identified during the stakeholder engagement described above.

Proposed amendments to GEM Listing Rules and GEM Reforms

The Consultation Paper sets out the following GEM reform proposals through amendments to the GEM Listing Rules which are subject to public consultation.

(I) INITIAL LISTING REQUIREMENTS

Proposed new alternative financial eligibility test for GEM listing

GEM's current minimum market capitalisation test is one of the factors which the HKEX uses as an indicator of sufficiency of investor interest in the trading of a listing applicant's shares upon its listing. The requirement for a listing applicant to demonstrate a track record of minimum positive cash flow before listing is one of the criteria that the HKEX uses to assess the long-term sustainability of its business. These financial eligibility tests aim to ensure that the investing public have, and can maintain, confidence in GEM as a market. Compared to other peer exchanges such as BSE and Nasdaq Capital Market, the HKEX considers that the GEM's listing eligibility criteria are already relatively low (for example, without requirements to meet net profit and/or net asset thresholds).

The HKEX therefore does not agree with stakeholder feedback that GEM's financial eligibility tests are uncompetitive. However, the HKEX acknowledges that the cash flow requirement may hinder the listing of high-growth companies that are heavily involved in R&D. Therefore, the HKEX agrees that a pathway to listing should be created specifically for these potential growth companies, particularly in the technology and research-driven sectors, which are increasingly driving economic growth in Hong Kong, the Greater Bay Area and beyond. The HKEX believes that providing fund-raising opportunities to these companies, given their growth potential, may offset the additional risks of investing in small-cap companies.

Proposal

The HKEX proposes to introduce an alternative financial eligibility test (**Market Capitalisation / Revenue / R&D Test**) to target high-growth enterprises that are heavily engaged in R&D activities. Under this new test, GEM listing applicants are required to have:

- (a) an adequate trading record of at least two financial years (consistent with the existing requirement);
- (b) an expected market capitalisation of at least HK\$250 million at the time of listing;
- (c) revenue of at least HK\$100 million in aggregate for the two most recent audited financial years, with year-on-year growth over the two financial years; and
- (d) incurred R&D expenditure of at least HK\$30 million in aggregate for the two financial years prior to listing, where the R&D expenditure incurred for each financial year must be at least 15% of its total operating expenditure for the same period.

Under this new test, the existing one-year ownership continuity and two-year management continuity requirements will continue to apply.³

The HKEX claims that the higher minimum market capitalisation threshold of HK\$250 million (compared to HK\$150 million under current requirements) should mitigate the risk of the absence of a track record of cash flow by requiring the GEM listing applicant to demonstrate a market capitalisation that is representative of more substantial investor support for its financial position and future prospects.

The minimum revenue threshold of HK\$100 million should, in the opinion of the HKEX, address stakeholders' concerns that companies with high-growth potential may not have a track record of positive operating cash flow

to meet the current HK\$30 million cash flow requirement if they are heavily engaged in R&D.

Additionally, the minimum R&D expenditure threshold of HK\$30 million is based on the HKEX's analysis of profiles of SME issuers listed on comparable junior markets and the minimum R&D expenditure ratio of 15% is consistent with the ratio applied to Commercial Companies by the HKEX's listing regime for Specialist Technology Companies.⁴

Current GEM listing requirements	Proposed alternative financial eligibility test (the Market Capitalisation / Revenue / R&D Test)
<p>A GEM listing applicant is required to have:</p> <ul style="list-style-type: none"> • an expected market capitalisation of at least HK\$150 million at the time of listing;⁵ and • a positive cash flow generated from operating activities of at least HK\$30 million in aggregate for the 2 financial years prior to listing.⁶ 	<p>A GEM listing applicant under the new test is required to have :</p> <ul style="list-style-type: none"> • a market capitalisation of at least HK\$250 million at the time of listing; • an adequate trading record of at least 2 financial years; • revenue of at least HK\$100 million in aggregate for the 2 financial years immediately preceding the issue of the listing document, with a year-on-year growth of revenue over the 2 financial years; • expenditure on R&D of at least HK\$30 million in aggregate for the 2 financial years immediately preceding the issue of the listing document; and • expenditure on research and development amounting to at least 15% of its total operating expenditure for each of the 2 financial years immediately preceding the issue of the listing document.

Proposed reduction of Post-IPO lock-up period for controlling shareholders

The amendments to the GEM Listing Rules in 2018 extended the post-IPO lock-up period for GEM controlling shareholders from 12 months to 24 months. This was done to address shell activities and to require controlling shareholders to demonstrate a stronger commitment to the GEM issuer. However, the HKEX claims that shell activities have significantly decreased due to the efforts of the HKEX and the SFC. The HKEX thus considers that the prolonged lock-up period is now unnecessary given that a lengthy lock-up period reduces the appeal of a GEM listing and hampers the business development of newly listed GEM issuers by potentially delaying their ability to issue securities for fundraising purposes.

Proposal

The HKEX proposes to reduce the post-IPO 24 month lock-up period imposed on controlling shareholders of GEM issuers to 12 months in line with Main Board requirements. This means that controlling shareholders of the issuer would not be able to dispose of any of their interests in the issuer within the first 6 months of listing and would not be able to dispose of any interest in the second 6 months that would result in them no longer being a controlling shareholder.

To aid liquidity, the HKEX may also explore further the concept of "free float" (i.e. a requirement that a minimum number of issuers' shares are not subject to a lock-up) which is adopted in the Nasdaq Capital Market as part of a future consultation exercise.

Current post-IPO lock up period on controlling shareholders	Proposed post-IPO lock up period on controlling shareholders
<p>Controlling shareholders are restricted from:⁷</p> <ul style="list-style-type: none"> disposing of any shares within the first 12 months after listing; and disposing of shares that would result in them ceasing to be the controlling shareholders within the second 12 months after listing. 	<p>Controlling shareholders will be restricted from:</p> <ul style="list-style-type: none"> disposing of any shares within the first 6 months after listing; and disposing of shares that would result in them ceasing to be the controlling shareholders within the second 6 months after listing.

(II) CONTINUING OBLIGATIONS

Proposed amendments of GEM requirements concerning compliance officer and compliance adviser

The HKEX notes that GEM was launched in 1999 as a “buyer beware” market for early stage “dot-com” companies. The requirements for a compliance officer and compliance advisers were implemented at that time to assist companies that were at a relatively early stage of their development in respect of their regulatory responsibilities.

Following the HKEX’s review in 2017, the HKEX has found that GEM issuers had been in operation for 15 years on average at the time of their listing and therefore considers that the additional requirements relating to compliance officers and compliance advisers are no longer necessary.

Proposed removal of requirement for a compliance officer

The current GEM Listing Rules require one of the executive directors of a GEM issuer to assume responsibility as its compliance officer.⁸ Taking into account HKEX’s view that GEM is now a market for established SMEs, the HKEX expects a GEM issuer’s directors to have experience that is similar, in extent, to that of Main Board listed issuers.

The HKEX proposes to remove this requirement given that it believes that GEM issuers should not have a greater need than Main Board issuers for compliance advice from a compliance officer.

Current requirement	Proposed requirement
Every issuer must ensure that, at all times, one of its executive directors assumes responsibility for acting as the issuer’s compliance officer. ⁹	[To be repealed]

Proposal to shorten period of engagement of compliance adviser and to remove certain existing Proposal to shorten period of engagement of compliance adviser and to remove certain existing

Proposal

The HKEX proposes to shorten the period of engagement of the compliance adviser of a GEM issuer so that it ends on the date on which the GEM issuer publishes its financial results for the first (instead of second) full financial year commencing after the date of its initial listing.¹⁰

The HKEX also proposes to remove GEM Listing Rule requirements relating to a compliance adviser’s responsibilities regarding:¹¹

- due diligence on listing documents published, and dealing with the HKEX, in relation to certain transactions during the period of its engagement as the compliance adviser; and
- disclosure of its interests for such purposes.

These changes relating to compliance officers and compliance advisers are proposed to better align GEM Listing Rule requirements with those of the Main Board.

Current requirement	Proposed requirement
<p>A listed GEM issuer must appoint a compliance adviser for its GEM listing until the date on which it publishes its financial results for the second full financial year.¹²</p> <p>The compliance adviser’s responsibilities set out in Chapter 6A of the GEM Listing Rules include, amongst others, the following:¹³</p> <ul style="list-style-type: none"> • due diligence on listing documents published, and dealing with the HKEX, in relation to certain transactions during the period of engagement of the compliance adviser; and • disclosure of interests of the compliance adviser for such purpose. 	<p>A GEM listed issuer will be required to appoint a compliance adviser for its GEM listing until the date on which it publishes its financial results for the first full financial year.</p> <p>Compliance adviser’s responsibilities set out in the amended Chapter 6A of the GEM Listing Rules will not include:</p> <ul style="list-style-type: none"> • due diligence on listing documents published, and dealing with the HKEX, in relation to certain transactions during the period of engagement of the compliance adviser; and • disclosure of interests of the compliance adviser for such purpose.

Amendments to the periodic reporting requirements

The HKEX noted that the requirement for GEM issuers to produce quarterly reports was implemented when GEM was positioned as a market for early stage companies. This was consistent with the disclosure based “buyer beware” philosophy of GEM’s initial regulatory approach. Now, as GEM listing applicants are usually well established with a long history of operations, the original rationale for imposing a mandatory quarterly reporting requirement has become less relevant.

Proposal

The HKEX proposes to align GEM’s periodic reporting requirements with those for Main Board issuers by removing quarterly reporting as a mandatory requirement. The purpose of such amendment is to help address stakeholders’ concerns regarding the high compliance costs for GEM issuers, which are considered particularly high for SMEs relative to the amount of funds raised. This revision is also in line with the increasing convergence of the GEM and Main Board Listing Rules in recent years.

Quarterly financial reporting however will be a recommended best practice in GEM’s Corporate Governance Code, and the HKEX anticipates that some GEM issuers may continue to report quarterly on a voluntary basis to meet the needs of their investors. All references to “half-year report” in the GEM Listing Rules will be updated to “interim report”.

As such, to further align GEM requirements with those of the Main Board, GEM issuers would be required to publish only:

- (a) annual reports not later than four months after the end of each financial year;¹⁴ and
- (b) interim reports not later than three months after the end of the first six months of each financial year.¹⁵

The HKEX also proposes to require GEM issuers to publish preliminary announcements of results for the first six months of each financial year not later than two months (instead of the shorter 45 days as currently required) after the end of that six-month period. This is in line with the existing requirements for a Main Board issuer.¹⁶

Current requirement	Proposed requirement
<p>GEM issuers are required to publish:</p> <ul style="list-style-type: none"> • annual reports not later than 3 months after the end of each financial year;¹⁷ 	<p>GEM listed issuers will be required to publish:</p> <ul style="list-style-type: none"> • annual reports not later than 4 months after the end of each financial year; and

<ul style="list-style-type: none"> • half-year reports not later than 45 days after the end of the first 6 months of each financial year;¹⁸ and • quarterly reports not later than 45 days after the end of a quarter.¹⁹ <p>GEM issuers also required to publish preliminary announcement of results:</p> <ul style="list-style-type: none"> • for the financial year not later than 3 months;²⁰ • for the first 6 months of each financial year not later than 45 days;²¹ and • for each of the first three-month and nine month periods of each financial year, not later than 45 days;²² <p>after the date upon which the financial period ended.</p>	<ul style="list-style-type: none"> • interim reports not later than 3 months after the end of the first 6 months of each financial year. <p>No quarterly financial reporting will be required, but this may be done on a voluntary basis and would be a recommended best practice under GEM's Corporate Governance Code.</p> <p>GEM issuers will be required to publish preliminary announcement of results:</p> <ul style="list-style-type: none"> • for the financial year not later than 3 months; and • for the first 6 months of each financial year not later than 2 months; <p>after the date upon which the financial period ended.</p>
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Possible amendments on ESG-related requirements

The HKEX noted that the current ESG reporting requirements are the same for both GEM issuers and Main Board issuers despite the fact that GEM issuers generally have smaller operations and lower ESG risks and opportunities compared to Main Board issuers. The HKEX also considers that limited resources may also hinder GEM issuers' ability to meet the ESG reporting requirements.

The HKEX noted that, recognising the challenges faced by smaller-sized companies, the International Sustainability Standards Board (**ISSB**) and the International Financial Reporting Standards (**IFRS**) Foundation provides some flexibility in implementing their new IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (**IFRS ESG Standards**), and have introduced the concept of "*reasonable and supportable information that is available at the reporting date without undue cost or effort*" when applying the IFRS ESG Standards. The HKEX also acknowledges the differing capabilities and preparedness of issuers, and intends to take a measured approach in implementing ESG-related requirements for GEM issuers that are proportionate to their circumstances.

The HKEX will further update the market as to its thinking on this topic in due course.

(III) TRANSFERS TO THE MAIN BOARD

Proposed new streamlined transfer mechanism

The HKEX proposes to implement a streamlined transfer mechanism (**Streamlined Transfer Mechanism**) with modifications to the eligibility requirements to enable qualified GEM issuers (i.e. those who meet all the qualifications for listing on the Main Board as per Rule 9A.02(1) of the Main Board Listing Rules) to transfer their listings to the Main Board.

A GEM issuer that cannot meet these eligibility requirements would still be able to apply for a transfer under the existing requirements, in which case the proposed requirements for the Streamlined Transfer Mechanism would not apply to such an issuer.

The HKEX believes that, as a result of the recent market quality reforms, the proposed introduction of the new Streamlined Transfer Mechanism would not lead to a recurrence of shell activities, but would encourage issuers to list on GEM rather than wait to apply for listing on the Main Board directly.

Proposed removal of requirement to appoint a sponsor to carry out due diligence

A GEM issuer would not be required under the proposed Streamlined Transfer Mechanism to appoint a sponsor to carry out relevant investigations and due diligence work prior to its transfer. The purpose of this amendment is

to reduce costs for a GEM transferee that has been a listed GEM issuer for a minimum of three full financial years and has not had a change in its principal business or ownership during that time.

As GEM issuers would already have been subject to a due diligence process and mandatory disclosure and audit requirements under the GEM Listing Rules prior to its transfer, the HKEX believes that its compliance over a three-year period should mitigate risks that the existing sponsor appointment requirement seeks to address.

Proposed removal of requirement for a “prospectus-standard” listing document

The HKEX considers that, given the requirement for at least a three-year track record period prior to the transfer (instead of only one full financial year), transfer applicants would have already published relevant information on their financial position and future prospects under the GEM Listing Rules.

As such, the HKEX proposes that GEM issuers should no longer be required to produce a “prospectus-standard” listing document for a streamlined transfer to the Main Board. Instead, the transfer applicant will be required to submit (at a minimum) the following documents to the HKEX Listing Division as part of its transfer application under the proposed Streamlined Transfer Mechanism:

- (a) a formal application for listing (including directors’ confirmation that all relevant requirements for a transfer of listing are complied with);
- (b) an advanced draft public announcement of the transfer (**Long-Form Announcement**) containing the following information for pre-vetting by the HKEX Listing Division:
 - (i) a prescribed form disclaimer statement;
 - (ii) directors’ responsibility statement;
 - (iii) confirmation of fulfilment of all pre-conditions to transfer of listing;
 - (iv) reasons for the transfer of listing;
 - (v) a statement that various documents are displayed on the HKEX’s website and the issuer’s website;
 - (vi) a statement that the requisite approval has been granted by the HKEX;
 - (vii) issuer’s stock codes on GEM and the Main Board;
 - (viii) a statement of CCASS eligibility;
 - (ix) if applicable, a statement of any listing of options, warrants etc., that will be transferred together with the underlying securities;
 - (x) names of the directors; and
 - (xi) such information as may be directed by the HKEX;
- (c) a working capital sufficiency statement, together with relevant supporting information, confirming that:
 - (i) the working capital available for the group is sufficient for the next 12 months from the date of publication of the announcement under sub-paragraph (b); and
 - (ii) the issuer’s financial advisers or auditors are satisfied that this confirmation has been given after due and careful enquiry and that persons or institutions providing finance have stated in writing that the relevant financing facilities exist.

Under the proposed Streamlined Transfer Mechanism, the transfer applicant must also:

- (a) have obtained all necessary shareholders’, board and/or regulatory approvals required for the transfer of listing;

(b) demonstrate that there has been, throughout its three-year financial track record period: (i) ownership continuity and control; and (ii) no fundamental change in its principal business;

(c) publish a short announcement informing the public of the application on the day of application for transfer; and

(d) publish the Long-Form Announcement as soon as practicable after it has received from the HKEX formal in-principle approval for transfer of its listing (i.e. not later than one business day after its receipt of such formal in-principle approval and at least five clear business days before the date dealings in its shares on the Main Board are expected to commence).

Proposed daily turnover test

The HKEX proposes that the daily turnover of a transfer applicant must have reached a minimum threshold (**Minimum Daily Turnover Threshold**) on at least 50% of the trading days over the 250 trading days immediately preceding the transfer application and until the commencement of dealings in its securities on the Main Board (the **Reference Period**). For this purpose:

(a) the “daily turnover” of a transfer applicant refers to the trading turnover in the applicant’s GEM shares (i.e. value of GEM shares traded) on a trading day as stated in the HKEX’s daily quotations sheets; and

(b) the reference to “trading days” excludes the number of trading days on which trading of the applicant’s securities were halted or suspended.

The Minimum Daily Turnover Threshold is proposed to be set at either HK\$100,000 or HK\$50,000 (subject to views of respondents). The purpose of setting these thresholds is to help ensure that the market capitalisation of a transferee is supported by a minimum level of daily turnover over the Reference Period at the time of its transfer of listing to the Main Board.

Proposed volume weighted average market capitalisation test

The HKEX proposes that the transfer applicant must have a volume weighted average market capitalisation over the Reference Period that meets the minimum capitalisation requirement for listing on the Main Board (**Volume Weighted Average Market Capitalisation Test**).

For this purpose:

(a) the average market capitalisation should be calculated as the sum of the daily market capitalisation multiplied by the ratio of the daily number of shares traded to the total number of shares traded for all the trading days over the Reference Period as adjusted for any applicable corporate actions; and

(b) the daily market capitalisation is the number of total issued shares of the issuer as shown in an issuer’s relevant next day disclosure return or monthly return (whichever is more recent) multiplied by the intraday volume weighted average price (**VWAP**) of the listed issuer’s securities, which should be calculated by dividing the daily turnover by the daily number of shares traded for that trading day.

The Volume Weighted Average Market Capitalisation Test will take into account the number of shares traded (i.e. volume) on each trading day during the Reference Period in such a manner as to ensure that the valuation on trading days where trading volume is relatively high will have a more significant contribution to the average market capitalisation than the valuation on trading days where trading volume is relatively low.

Other matters

The HKEX has also proposed the following:

(a) *compliance record*: the transfer applicant must have a clean compliance record without serious breaches in the 12 months prior to its application and no ongoing investigations or disciplinary proceedings for serious breaches by the HKEX;

(b) *approval authority*: the application under the Streamlined Transfer Mechanism will be processed by the HKEX Listing Division and approved by the HKEX Listing Committee; and

(c) *GEM issuers not qualified for a streamlined transfer*: a GEM issuer that does not meet the Streamlined Transfer Mechanism requirements must apply for a transfer under the existing requirements (i.e. which would include requirements to appoint a sponsor and to publish a “prospectus-standard” listing document).

Costs for transfer of listing

The HKEX proposes to exempt GEM transferees to the Main Board from the Main Board initial listing fee.²³ This exemption aims to address stakeholders’ concerns by reducing the cost of transfer to the Main Board.

Responding to the HKEX Consultation

Interested parties can respond to the consultation by completing and submitting the questionnaire available on the [HKEX website](#) by 6 November 2023.

[1] See the [Consultation Paper \(June 2017\)](#) and the [Consultation Conclusions \(December 2017\)](#) on Review of Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules.

[2] See the [Consultation Paper \(November 2020\)](#) and the [Consultation Conclusions \(May 2021\)](#) on the Main Board Profit Requirement.

[3] See *Rules 11.12A(2) and 11.12A(3) of the GEM Listing Rules*.

[4] See *Rule 18C.04(2)(a) of the Main Board Listing Rules*.

[5] See *Rule 11.23(6) of the GEM Listing Rules*.

[6] See *Rule 11.12A(1) of the GEM Listing Rules*.

[7] See *Rule 13.16A(1) of the GEM Listing Rules*.

[8] See *Rule 5.19 of the GEM Listing Rules*.

[9] See *Rule 5.19 of the GEM Listing Rules*.

[10] See *Rule 6A.19 of the GEM Listing Rules*.

[11] See *Rules 6A.31 to 6A.33, Rule 6A.34, Rule 6A.35, Rule 6A.36 and Rule 6A.37 of the GEM Listing Rules*.

[12] See *Rule 6A.19 of the GEM Listing Rules*.

[13] See *Rules 6A.31 to 6A.33, Rule 6A.34, Rule 6A.35, Rule 6A.36 and Rule 6A.37 of the GEM Listing Rules*.

[14] See *Rule 13.46 of the Main Board Listing Rules*.

[15] See *Rule 13.48(1) of the Main Board Listing Rules*.

[16] See *Rule 13.49(6) of the Main Board Listing Rules*.

[17] See *Rule 18.03 of the GEM Listing Rules*.

[18] See *Rule 18.53 of the GEM Listing Rules*.

[19] See *Rule 18.66 of the GEM Listing Rules*.

[20] See *Rule 18.49 of the GEM Listing Rules*.

[21] See *Rule 18.78 of the GEM Listing Rules*.

[22] See *Rule 18.79 of the GEM Listing Rules*.

[23] As currently required under *Appendix 8, paragraph 1 of the Main Board Listing Rules*.

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