Cross-Border Listings Guide - Hong Kong Stock Exchange (GEM)

Principal listing and maintenance requirements and procedures

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# Principal listing and maintenance requirements and procedures

[Last updated: 1 January 2024, unless otherwise noted]

A listing applicant must meet the basic requirements of GEM Listing Rules to qualify for a listing on GEM. The HKSE may grant waivers from strict compliance with the requirements, and it assesses each waiver application on a case-by-case basis depending on the merits of each case. The HKSE has additional listing and disclosure requirements for infrastructure companies, mineral companies, overseas companies and companies incorporated in Mainland China (PRC).

In general, an applicant whose assets consist wholly or substantially of cash and/or short-dated investments will not normally be regarded as suitable for listing, except when the cash and short-term investments are held by a member of the issuer's group that is a securities house.

*Financial criteria.* A GEM applicant must fulfill the following financial criteria:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-gem---long-form---principal-listing-and-maintenance-req.pdf?sc_lang=en)

A listing applicant must be satisfied, after due and careful inquiry, that it has available sufficient working capital for the group's present requirements, for at least the next 12 months from the date of the prospectus. In the case of a mineral company, the listing applicant must have available sufficient working capital for 125% of the group's present requirements for at least 12 months from the date of the prospectus.

After the initial listing, a company is not required to meet similar ongoing financial requirements in order to maintain its listing.

*Operating history and management*. A GEM new applicant must have a trading record of at least two full financial years, with:

Substantially the same management throughout the two full financial years.

A continuity of ownership and control throughout the full financial year immediately preceding the issue of the listing document.

At the time of listing, there must be a minimum of 100 shareholders. In addition, not more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders.

*Minimum public float*. At least 25% of the listing applicant's total issued share capital must at all times be held by the public, subject to a minimum public market capitalization of HK$45 million (approximately US$5.76 million) at the time of listing. However, for listing applicant with an expected market capitalization of over HK$10 billion (approximately US$1.28 billion) at the time of listing, the HKSE may accept a lower percentage of between 15% and 25%. This minimum public float must be maintained at all times after listing.

*Lock-up requirements*. The GEM Listing Rules provide that any controlling shareholder(s) (holding 30% or more of the issued share capital of an issuer) must not, from the prospectus date until six months after dealings commence on HKSE, in any way dispose of any of its interest in the issuer. In addition, for a further six months, the controlling shareholder(s) cannot dispose of any of its interest in the issuer so that it will cease to be controlling shareholder(s).

These restrictions do not apply to:

Any offer for sale contained in the prospectus.

Any additional securities purchased by the controlling shareholder(s) during the relevant period, subject to the requirements to maintain an open market in the securities and a sufficient public float.

Any stock lending arrangement to facilitate settlement of over-allocations.

Using the securities as security in favor of an authorized institution for a *bona fide* commercial loan.

*Corporate governance*. The GEM Listing Rules have various chapters dedicated to corporate governance issues. These cover various topics, including notifiable transactions, connected transactions, board composition and committee structure, review by auditors and retention of external compliance advisers. See Section 5 below for further information.

*Sponsor and interviews*. Each listing applicant must appoint at least one independent sponsor to assist with its listing application. A sponsor must be licensed or registered under applicable laws to advise on corporate finance matters. A sponsor is not independent if, *inter alia*, the sponsor group holds, directly or indirectly, more than 5% of the number of issued shares of the new applicant, except that the holding arises as a result of an underwriting obligation.

*Minimum trading price*. The HKSE does not impose any requirement for listed companies to have or maintain a minimum trading price for their securities.

*Currency*. Eligible securities must be traded and settled in Hong Kong dollars, Renminbi or US dollars, even though they may be denominated in other currencies.

*Clearing of trades*. All new equity securities to be listed on the HKSE are required to be admitted on their first listing or trading date to the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited (HKSCC). CCASS is a securities settlement system used within the HKSE market system. It is not a mandatory requirement to deposit the shares in CCASS, but all on-market transactions will be settled through CCASS. Securities deposited in CCASS will be registered in the name of HKSCC Nominee Limited.

*Compliance adviser*. A newly listed issuer must appoint a compliance adviser from listing until the date on which the listed issuer complies with the relevant rules in respect of its financial results for the first full financial year after listing. Under GEM Listing Rules, compliance adviser has to be any corporation or authorized financial institution licensed or registered to carry on Type 6 regulated activities (advising on corporate finance) under SFO. After the prescribed period, the HKSE has discretion to direct a listed issuer to appoint a compliance adviser to undertake such role for such period in specific circumstances if a listed issuer has breached the GEM Listing Rules consistently.

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