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

Quick Summary

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# Initial financial listing requirements

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

To qualify for listing on GEM, formerly known as the Growth Enterprise Market, operated by the Exchange, a company must have a trading record of at least two financial years and meet either one of the following two financial criteria at the time of listing:

**Cash Flow.**A positive cashflow generated from operating activities in the ordinary and usual course of business of at least HK$30 million (approx. US$3.83 million) in aggregate for the two financial years immediately preceding the issue of the listing document.

Market capitalization of at least HK$150 million at the time of listing (approx. US$19.19 million).

**Market Capitalization/revenue/research and development (R&D).**Market capitalization of at least HK$250 million at the time of listing (approx. US$31.98 million).

Revenue of at least HK$100 million (approx. US$12.79 million in aggregate for the two most recent audited financial years, with year-on-year growth.

R&D expenditure of at least HK$30 million (approx. US$3.83 million) in aggregate for the two financial years immediately preceding the issue of the listing document, with each financial year's R&D expenditure accounting for at least 15% of the total operating expenditure.

In addition, a company must have available sufficient working capital for the group's present requirements for at least the next 12 months from the date of the prospectus.

*Note:* Certain types of companies are subject to modified listing and ongoing compliance rules. For example, mineral companies, overseas companies and PRC companies have separate chapters in the Hong Kong GEM Listing Rules which are dedicated to each of these types of companies. In addition, the HKSE may accept a shorter trading record period and may vary or waive the ownership and management requirements for mineral companies or newly formed project companies (for example, a company formed for the purpose of a major infrastructure project). Where the HKSE accepts a trading record of less than two financial years, the applicant must nevertheless still meet the cash flow requirement of HK$30 million (approx. US$3.83 million) for that shorter trading record period.

# Other initial listing requirements

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

*Share price.* HKSE does not require a minimum trading price.

*Distribution.* To list its securities, a company must have:

At all times, at least 25% of its total issued share capital held by the public.

At the time of listing, at least 100 shareholders and not more than 50% of the securities in public hands can be beneficially owned by the three largest public shareholders.

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.

*Accounting standards.* Audited financial statements must be prepared in compliance with HKFRS, IFRS or, for a PRC issuer, CASBE.

*Financial statements.* The listing document must generally include two financial years' audited financial statements and, if the latest financial year ended more than six months before the date of the listing document, an additional audited interim (or stub) set of accounts for part of the current financial year.

*Operating history and ownership.* 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.

*Other markets.* HKSE also offers listings on the Main Board (which has more stringent listing requirements). Information about the Main Board is available in another chapter of this Handbook.

# Listing process

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

The HKSE will review the prospectus and relevant announcements. The following is a fairly typical process and timetable for a listing of a company on the GEM of HKSE via an underwritten public offering in Hong Kong.

[Link to Timetable](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2024-update-10th-edition/hkse-gem---short-form---listing-process_updated.pdf)

# Corporate governance and reporting

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

Requirements for public companies include:

Appointment of a prescribed number and percentage of independent non-executive directors.

Appointment of at least one director of a different gender to the board.

Professional qualification of a company secretary.

Audit committee and its composition.

Remuneration committee and its composition.

Nomination committee and its composition.

Appointment of a compliance adviser.

A listed company has continuing disclosure and reporting obligations under the Hong Kong GEM Listing Rules and the Hong Kong Securities and Futures Ordinance.

An issuer applying for a transfer of listing from GEM to the Main Board on HKSE must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. However, the HKSE may grant a waiver from strict compliance with this requirement. Each waiver application will be considered on a case-by-case basis depending on the merits of the case.

# Fees

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

A company seeking to list must pay both initial listing fees and annual fees. The initial listing fee ranges from HK$100,000 (approx. US$12,790) to HK$200,000 (approx. US$25,580). Additional shares listed subsequently will require additional payments. The annual listing fee ranges from HK$100,000 (approx. US$12,790) to HK$200,000 (approx. US$25,580) depending on the nominal value of shares listed.

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