

# Amendments to GEM Listing Rules

## Chapter 8

### GENERAL

#### VALUATION OF AND INFORMATION ON PROPERTIES

##### Definitions

###### 8.01 In this Chapter: -

- (1) “carrying amount” means, for an applicant, the amount at which an asset is recognised in the most recent audited consolidated balance sheet of the group as disclosed in the listing document after deducting any accumulated depreciation (amortisation) and accumulated impairment losses. For an issuer, the amount at which an asset is recognised in its latest published audited consolidated accounts or latest published interim report (whichever is more recent) after deducting any accumulated depreciation (amortisation) and accumulated impairment losses;

Note: If an acquisition is made after the latest consolidated audited accounts, the acquisition cost should be used.

- (2) “property activities” mean holding (directly or indirectly) and/ or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments. It does not include holding of properties for own use;

Notes:

- (1) Any other property interest is classified as “non-property activities”.
- (2) The listing document date must be used as the timing reference point to categorise a property interest into property activity or non-property activity.

- (3) “property” means land and/or buildings (completed or construction in progress). Building includes fittings and fixtures. “Property interest” means an interest in the property;

Note: Fittings and fixtures include building services installation such as plumbing and pipes, electrical instalments, ventilation systems, escalators and improvements generally. Equipment and machinery used for production should be excluded.

A property interest may comprise:

- (a) one or more units in the same building or complex;
- (b) one or more properties located at the same address or lot number;

- (c) one or more properties comprising an integrated facility;
  - (d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);
  - (e) one or more properties held for investment within one complex;
  - (f) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational / business purposes;  
or
  - (g) a project or phases of development presented to the public as one whole project or forming a single operating entity.
- (4) “total assets” means, for an applicant, the total fixed assets, including intangible assets, plus the total current and non-current assets, as shown in the latest audited consolidated financial statements in the accountants’ report in the listing document. For an issuer, total assets has the same meaning as in Chapter 19.

#### **When required**

~~8.01– Valuations of and information on all the interests of the issuer and its group (referred to in this Chapter as the interests of the issuer) in land or buildings (“properties”) are required to be included in a listing document issued by a new applicant.~~

#### **Requirements for an applicant**

8.01A A listing document issued by an applicant must include valuations of and information on property interests:

- (a) that form part of its (or, for debt securities, the guarantor’s) property activities except for those with a carrying amount below 1% of its total assets. The total carrying amount of property interests not valued must not exceed 10% of its total assets; and
- (b) that do not form part of its (or, for debt securities, the guarantor’s) property activities if the carrying amount of a property interest is or is above 15% of its total assets.

8.01B The listing document must include:

- (a) for property interests of an applicant’s property activities:
  - (i) the full text of valuation reports of property interests that are required to be valued except where summary disclosure is allowed; and
  - (ii) a summary disclosure if the market value of a property interest as determined by the valuer is less than 5% of its total property interests that are required to be valued under rule 8.01A(a). See Appendix 19 for the summary form of disclosure. The Exchange may accept

variation of the summary form of disclosure based on the applicant's circumstances. The valuation report setting out the information required by these Rules must be available for public inspection;

Note: The summary form of disclosure may be varied based on the applicant's circumstances. An applicant must include additional information necessary for investors to make an informed decision.

- (b) for property interests of an applicant's non-property activities:
  - (i) the full text of valuation reports if the carrying amount of a property interest is or is above 15% of its total assets; and
  - (ii) a statement that, except for the property interests in the valuation reports, no single property interest that forms part of its non-property activities has a carrying amount of 15% or more of total assets;
- (c) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the listing document; and
- (d) the general information in rule 8.36, if it applies.

8.01C Rules 8.01A and 8.01B (except rules 8.01B(c) and 8.01B(d)) do not apply to property interests ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18A) if the listing document includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18A).

Note: Rules 8.01A(b) and 8.01B(b) to (d) apply to property interests ancillary to the exploration for and/or extraction of Natural Resources if the listing document does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.

### **Requirements for an issuer**

~~8.02 In the case of~~ For an acquisition or disposal of any property interest, or ~~of~~ a company whose assets consist solely or mainly of property, where any of the percentage ratios (as defined in rule 19.04(9)) of the transaction ~~exceeds~~ is or is above 25%, then a valuation of and information on ~~such~~ the property must be included in the circular issued to shareholders in connection with the acquisition or disposal (see rules 19.66(12) ~~and 19.69(3)~~), ~~unless, in the case of an acquisition, the interest in the property is acquired from the Hong Kong Government (or, at the discretion of the Exchange, a body related to the Hong Kong Government), in any such case, at a public auction or by sealed tender~~ unless rule 8.02A applies.

~~Note: For the purposes of~~ In this rule and in rule 8.03, a circular issued "in connection with an acquisition" includes a listing document issued ~~on~~ for a rights issue, the proceeds of which are to be used to retire a debt with which the property or company had previously been acquired ~~provided that but the~~ such a listing document need not contain such a valuation report if a circular

*containing such a valuation report was issued to shareholders when at the time of the acquisition of the property or company was acquired.*

8.02A Valuation of a property interest is not required if:

- (a) it is acquired from the Hong Kong Government (or, at the discretion of the Exchange, a body related to the Hong Kong Government) at a public auction or by sealed tender; or
- (b) the property is acquired under a Qualified Property Acquisition (as defined in rule 19.04(10C)); or
- (c) the company being acquired or disposed of is listed on the Exchange, except if it is a connected transaction; or
- (d) subject to rule 8.03, the property interests in the company being acquired or disposed of is ancillary to the exploration for and/or extraction of Natural Resources (as defined in Chapter 18A) and the circular includes a valuation that encompasses these Natural Resources and ancillary property interests, and together have been valued as a business or as an operating entity by a Competent Evaluator (as defined in Chapter 18A); or

*Note: Rule 8.02 applies to property interests ancillary to the exploration for and/or extraction of Natural Resources if the circular does not include a valuation of all the ancillary property interests conducted by a Competent Evaluator.*

- (e) subject to rule 8.03, the carrying amount of a property interest in the company being acquired or disposed of is below 1% of the issuer's total assets. The total carrying amount of property interests not valued must not exceed 10% of the issuer's total assets.

8.02B Subject to rule 8.03, the circular issued under rule 8.02 must include:

- (a) for a property interest, the full text of valuation reports;
- (b) for an unlisted company whose assets consist solely or mainly of property:
  - (i) the full text of valuation reports of property interests that are required to be valued under rule 8.02 except where summary disclosure is allowed; and
  - (ii) summary disclosure if the value of a property interest as determined by the valuer is less than 5% of the total property interests that are required to be valued under rule 8.02. See Appendix 19 for the summary form of disclosure. The Exchange may accept variation of the summary form of disclosure based on the issuer's circumstances. The valuer's report setting out the information required by these Rules must be available for public inspection; and

*Note: The summary form of disclosure may be varied based on the issuer's circumstances. An issuer must include additional information necessary for investors to make an informed decision.*

- (iii) an overview of property interests not covered by a valuation report, including their number and approximate size range, uses, how they are held and the general description of the area where they are located. The overview may include property interests voluntarily valued and disclosed separately in the circular;
  - (c) for a company listed on the Exchange whose assets consist solely or mainly of property, an overview of property interests, including their number and approximate size range, uses, how they are held and the general description of the area where they are located; and
  - (d) the general information in rule 8.36, if it applies.
- 8.03 ~~In the case of~~ For an acquisition or a disposal of any property interest or a company whose assets consist solely or mainly of property (including a company listed on the Exchange) from or to a connected person, a valuation of and information on such the property must be included in any circular issued to shareholders in connection with the acquisition or disposal (see rule 20.59(7)). The circular must include full text of valuation reports and the general information in rule 8.36, if it applies.
- 8.03A ~~These requirements do not apply if the property is acquired under a Qualified Property Acquisition (as defined in rule 19.04(10C)). [Repealed [date]]~~

### **Valuation report requirements**

#### *Basic contents*

...

- 8.05 ~~Subject to rule 8.06, a~~ All valuation reports should normally contain the following information:—
- (1) a description of each property including:—
    - ...
    - (k) the options or rights of pre-emption concerning or affecting the property (if any); ~~and~~
    - (l) the basis of and approach to valuation for the property interest;
    - (m) when the site was last inspected;
    - (n) summary of investigation carried out, including details of inspection, such as building conditions, availability of building services, etc.;
    - (o) nature and source of information relied on;
    - (p) details of title and ownership;
    - (q) details of encumbrances;
    - (r) how the properties are grouped together for each valuation certificate;

- (s) names and qualifications of persons who carried out the site inspection; and
- (t) any other matters which may materially affect the value;

...

### **Property under operating leases**

8.06 ~~New applicants or listed issuers are not required to include the full text of a valuation report in respect of any interest in land or buildings under an operating lease (as defined in rule 8.07) in listing documents or circulars to shareholders (as the case may be) provided that:—~~

- ~~(1) the value of the said interest in land or buildings has been determined by an independent qualified valuer as required by the GEM Listing Rules;~~
- ~~(2) valuation of the interest as determined by the valuer is zero;~~
- ~~(3) the report of the independent valuer setting out the information required by paragraph 34(2) of the Third Schedule of the Companies Ordinance and/or the GEM Listing Rules is made available to the Exchange before the issue of the listing document or circular and is referred to in the listing document or circular and made available for public inspection; and~~
- ~~(4) a summary of all the interests in land and buildings covered by this rule is included in the listing document or circular. [Repealed [date]]~~

8.07 ~~For the purpose of rule 8.06, an “operating lease” is a lease:—~~

- ~~(1) whereby an interest in the land or buildings is leased to the issuer and such lease or tenancy confers on the lessee no unilateral right to transfer, sublet, mortgage or otherwise dispose of the interest in the said property without the consent of the lessor;~~
- ~~(2) whose leasehold term is for a period substantially less than the estimated useful economic life of the said property; and~~
- ~~(3) where the substantive risks and rewards of ownership of the said property have not been or are not proposed to be transferred from the lessor to the lessee. [Repealed [date]]~~

8.08 ~~For properties referred to in rule 8.06, new applicants or listed issuers are required in accordance with the GEM Listing Rules to submit full valuation reports to the Exchange for the purpose of vetting and listing; and such valuation reports will form part of these documents which will be made available for inspection by the public. [Repealed [date]]~~

...

8.24 ~~Where valuations are required pursuant to rules 8.01, 8.02, 8.03 or 8.27 under Chapter 8 of these GEM Listing Rules and where the primary method for valuing the relevant a property is the residual method, the Exchange may require the directors of the issuer or, in the case of a connected transaction, the independent board of directors, to include a statement in a prominent position in the relevant document~~

with respect to the valuation of any property held for investment, development, future development and sale. In such statement the directors/ the independent board of directors, must shall:—

...

...

#### *Notifiable transactions*

8.27 ...

(1) ...

(2) may require an independent valuation report, even if such report is not expressly required pursuant to under Chapter 8 rule 8.02; and

(3) ...

...

#### **General disclosure**

8.36 A listing document, or a circular issued under rules 8.02 and 8.03, must disclose relevant information on material properties (including leased properties).

Notes:

Information may include the following:

(a) a general description of where the property is located (rather than only its address) and some market analysis if the property relates to property activities. For example, whether the property is located in the central business district, supply and demand information, occupancy rates, trends in property yield, sales prices, rental rates etc.;

(b) use and approximate area;

(c) any restrictions on its use;

(d) an indication of how the property is held. For example, owned or leased. If leased, the remaining term of the lease;

(e) details of encumbrances, liens, pledges, mortgages against the property;

(f) environmental issues, such as breach of environmental regulations;

(g) details of investigations, notices, pending litigation, breaches of law or title defects;

(h) plans for construction, renovation, improvement or development of the property and estimated associated costs;

(i) plans to dispose of or change the use of the property; and

(j) any other information considered material for investors.

**Chapter 11**  
**EQUITY SECURITIES**  
**QUALIFICATIONS FOR LISTING**

...

*Property-related matters*

11.16 Property interests of an applicant's property activities ~~A new applicant that is a property company~~ must have, in respect of a substantially major portion of its PRC properties, long-term title certificates and/or, in respect of a substantially major portion of its properties not situated in the PRC, other appropriate evidence of title, regardless of whether such properties are completed or still under development.

*Note: For the purposes of rules 11.16 to 11.19:—*

- (1) ~~a "property activity company" has the same definition as defined in rule 8.01(2) is a company whose non-cash assets consist solely or mainly of properties or interests in properties or interests in companies or entities whose non-cash assets consist solely or mainly of properties and whose income is mainly derived from those properties; and~~

...

...

**Chapter 12**  
**EQUITY SECURITIES**  
**APPLICATION PROCEDURES AND REQUIREMENTS**

...

*After notification of approval in principle but before the date of issue of the listing document*

12.24 The following must be lodged with the Exchange by an ~~new~~ applicant as soon as practicable after the hearing of the application by the Listing Division but on or before the date of issue of the listing document:—

...

- (6) ...

*Note: The Exchange must be passed a certified copy of any valuation report in respect of properties ~~held under operating leases~~ notwithstanding that the full text of such valuation report may not be required to be included in the listing document under Chapter 8, ~~as referred to in rule 8.06.~~*

...

...



**Chapter 14**  
**EQUITY SECURITIES**  
**LISTING DOCUMENTS**

...

**Profit forecast**

...

14.29 ...

.... Any valuation of assets (~~other than~~ except for property interests (as defined in rule 8.01(3) land and buildings)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

...

**Chapter 18**  
**EQUITY SECURITIES**  
**FINANCIAL INFORMATION**

...

18.35 If the ~~listed~~ issuer has caused any property interests assets to be valued (~~in accordance with under Chapter 8 Rule 8.04~~) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to the initial public offer of shares in the ~~listed~~ issuer and those assets are not stated at such valuation (or at subsequent valuation) in its first annual accounts published after listing, then the ~~listed~~ issuer is required to disclose the following additional information in its first annual report published after listing:–

...

...

**Chapter 19**  
**EQUITY SECURITIES**  
**NOTIFIABLE TRANSACTIONS**

...

*Profit forecast in an announcement*

19.61 .... Any valuation of assets (~~other than~~ except for property interests (as defined in rule 8.01(3) land and buildings)) or businesses acquired by an ~~listed~~ issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

...

*Major transaction circulars*

19.66 A circular relating to a major transaction must contain the following:—

...

- (12) where required by Chapter 8, a ~~valuer's report~~ information under that Chapter on the property interest being acquired or disposed of by the listed issuer;

...

...

*Inability to access information to compile circulars for major transactions or very substantial acquisitions*

19.67A(1) ...

(2) ...

- (b) where information required for the enlarged group is not available, to include the following information regarding the ~~listed issuer~~:

...

- (iii) ~~valuation report on land and/or buildings (this is applicable only to very substantial acquisitions, see rule 19.69(3))~~ [Repealed [date]];

...

(c) ...

(3) ...

...

*Very substantial acquisition circulars and reverse takeover listing documents*

19.69 A circular issued ~~in relation to~~ for a very substantial acquisition or a listing document issued ~~in relation to~~ for a reverse takeover must contain:—

(1) ~~in respect of a listing document issued in relation to~~ for a reverse takeover,

- (a) the information required under rule 19.66 (~~save except for~~ the information required under rules 19.66(3), 19.66(4), 19.66(11), and 19.66(12)) and ~~under~~ rule 19.67(3); ~~and~~

- (b) the information required under Appendix 1, Part A, if it applies applicable, except paragraphs 8 and 15(3) (in respect of the 12 months ~~preceding~~ before the issue of the circular or listing document) and 20(1). For paragraph 36, the statement on sufficiency of working capital must take into account the effect of the transaction; and

(c) [Repealed 1 January 2009]

- (d) information on the enlarged group's property interests under rules 8.01A and 8.01B;
- (2) ~~in respect of a circular issued in relation to~~ for a very substantial acquisition, the information required under rules 19.66 to 19.67 (save except for the information required under rules ~~19.66(12) and 19.67(6)~~) and rule 2.28;
- (3) ~~a valuation report on the enlarged group's interests in land or buildings in accordance with Chapter 8~~ [Repealed [date]] ;

...

## Chapter 20

### EQUITY SECURITIES

#### CONNECTED TRANSACTIONS

...

*Specific disclosure in circular*

20.59 The circular must contain at least:

...

- (7) information on the property interests (as defined in rule 8.01(3)) under rule 8.03 and an independent valuation if the primary significance of the asset (except for property interests) being acquired or disposed of is its capital value (for example, real property);

...

## Chapter 24

### EQUITY SECURITIES

#### OVERSEAS ISSUERS

...

24.09 The following modifications and additional requirements apply:—

...

- (5) ~~in the case of~~ for an introduction in the circumstances ~~set out in~~ rule 10.18(3), the following modifications, exceptions and additional requirements apply:—

...

- (d) where the consolidated assets and liabilities of the issuer are substantially the same as those ~~the consolidated assets and liabilities~~ of the ~~listed~~ issuer or issuers whose securities have been exchanged, the requirement for a valuation and other information on ~~of~~ all the issuer's property interests in land or buildings (see paragraph ~~3950A~~ of Part A of Appendix 1 and Chapter 8 rule 8.04) will normally only be required by the Exchange if:—

- ...
- (e) any valuations required to be included by paragraph ~~39~~50A of Part A of Appendix 1 and Chapter 8~~rule 8.04~~ (as modified by rule 24.09(5)(d)) need only be summarised in the listing document, ~~provided that if~~ a copy of the full valuation report is offered for inspection;
- ...

## Appendix 1

### CONTENTS OF LISTING DOCUMENTS

#### Part A

#### Equity Securities

...

#### Financial information about the group and the prospects of the group

...

34. (1) ...

.... Any valuation of assets (~~other than~~ except property interests (as defined in rule 8.01(3)) ~~land and buildings~~) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

(2) ...

...

39. ~~Where required by Chapter 8, a valuation report on the issuer's interests in land or buildings in accordance with that Chapter. [Repealed [date]]~~

...

#### Information on property interests

50A. Where required by Chapter 8, information set out in that Chapter.

...

#### NOTES

...

11. *Where an issuer has caused any property interests ~~assets~~ to be valued (in accordance with Chapter 8~~Rule 8.04~~) or has caused any valuation to be made of any other tangible assets and included such a valuation in the prospectus relating to its initial public offer, the issuer is required to state in its prospectus, by way of note to the adjusted net tangible asset statement, the additional depreciation (if any) that would be charged against the income statement had such assets been stated at valuation.*

...

## Appendix 1

### CONTENTS OF LISTING DOCUMENTS

#### Part B

#### Equity Securities

...

#### Financial information about the group and the prospects of the group

...

29. (1) ...

(2) ...

... Any valuation of assets (~~other than~~ except property interests (as defined in rule 8.01(3) land and buildings) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows ~~will also be~~ is regarded as a profit forecast.

(3) ...

...

## Appendix 1

### CONTENTS OF LISTING DOCUMENTS

#### Part C

#### Debt Securities

...

#### Financial information about the group and prospects of the group

...

41. (1) ...

(2) ...

(3) ...

.... Any valuation of assets (~~other than~~ except property interests (as defined in rule 8.01(3) land and buildings) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows will also be regarded as a profit forecast.

(4) ...

(5) ...

...

44. ~~Where required by Chapter 8, a valuation report on the issuer's interests in land or buildings in accordance with that Chapter. In any event a summary of all significant properties recorded as assets in the balance sheet must be included. [Repealed [date]]~~

...

**Information on property interests**

55. Where required by Chapter 8, information set out in that Chapter.

## GEM Appendix 19

### **[Types of properties]**

(E.g. properties for investments, for sale, held for development or under development)

### **[Geographical region]**

<u>Use and name/brief description of projects</u>	<u>Total/Planned Gross Floor Area</u>	<u>Leasable/Saleable area</u>	<u>Number of rooms/units</u>	<u>Number of car parking spaces</u>	<u>Attributable to the group</u>	<u>Terms of tenure (year of leasehold expiry)</u>	<u>Construction commencement date (if under development)</u>	<u>Year of completion/Expected completion date</u>	<u>Development cost, where property is being developed (as required under 5.06(3)(e))</u>	<u>Average occupancy rate</u>	<u>Average effective rent (as required under Rule 5.06(2))</u>	<u>Attributable independent valuation as at [date]</u>
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For example:

#### **Mixed use**

#### **[Name of project]**

Residential  
Retail  
Office

#### **Hotel**

#### **Office**

#### **Residential**

#### **Retail**

#### **Serviced apartments**