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**Introduction to Listing on  
the Main Board of the Hong Kong Stock Exchange**

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## I. INTRODUCTION

In 2014, the Stock Exchange of Hong Kong (the “Hong Kong Stock Exchange”) raised IPO funds of US\$29.3 billion and ranked in the top 5 among world stock exchanges for IPO funds raised for the 13th consecutive year. 1,643 companies were listed on the Hong Kong Stock Exchange as at the end of December 2013 and there were 110 new listings on the Hong Kong Stock Exchange in 2013.

The Hong Kong Stock Exchange operates two markets, the Main Board and the GEM. The Main Board caters for companies with a profitable operating track record or that are able to meet alternative financial standards. It is designed to give these companies an opportunity to raise further funds from the market in order to finance future growth. GEM, on the other hand, caters for smaller growth companies and has lower admission criteria. .

The Listing Rules contain specific requirements for the listing of mining and natural resource companies, although early stage exploration companies are not permitted to list. The Hong Kong Stock Exchange has published proposals to allow the listing on the Main Board of tech and innovative companies with weighted voting rights structures and pre-revenue biotech companies subject to certain conditions and safeguards. The proposals are set out in the Stock Exchange’s [Consultation Paper on a Listing Regime for Companies from Emerging and Innovative Sectors](#) Consultation Paper on a Listing Regime for Companies from Emerging and Innovative Sectors which was published on 23 February 2018. The Consultation Paper is also proposing to allow the secondary listing of Chinese companies which are primary listed on the New York Stock Exchange, Nasdaq or the premium segment of the London Stock Exchange’s Main Market. The following contains a summary of the principal requirements for listing on the Main Board under the existing Hong Kong Listing Rules.

### **Methods of Listing on HKEx’s Main Board by New Applicants**

Going public means the widening of the shareholder base and this may be achieved by any of the following methods:

#### “Offer for Subscription” or “New Issue”

An offer to the public by or on behalf of an issuer of its own securities for subscription. The offers can be made at a fixed price or by tender, where the minimum price of the securities is fixed and offers are invited at a higher price, with the securities generally being issued to the highest bidders. An offer for subscription must be fully underwritten and a listing document is required which must comply with the requirements of the Hong Kong Listing Rules.

#### “Offer for Sale”

An offer to the public by, or on behalf of, the holders or allottees of securities already issued or agreed to be subscribed. The offer is generally made by a sponsor(s) on behalf of the selling shareholder. Similar to an offer for subscription, an offer for sale can be made at a fixed price or by tender and the securities are generally issued to the highest bidders. There is no specific requirement for an

offer for sale to be underwritten, although they often are to ensure compliance with the requirement for a minimum percentage of the securities to be in public hands.

#### “Placing”

Obtaining subscriptions for, or selling securities by, an issuer or intermediary primarily from or to a selected group of investors. The Hong Kong Stock Exchange may not allow a listing by way of placing if there is likely to be significant public demand for the securities. Where an applicant has a very large market capitalisation, both a public offer and private placement can be adopted. Placing guidelines set out in Appendix 6 of the Hong Kong Listing Rules contain specific requirements for new applicants:

- The minimum expected initial market capitalisation of the securities to be placed must be at least HK\$25 million or such other amount as may be fixed by the Hong Kong Stock Exchange from time to time.
- At least 25% of the amount placed must be made available to investors other than clients of the lead broker who has received special notification with respect to the placing.
- There must be an adequate spread of holders. The number depends on the size of the placing, but as a general guideline there should not be less than three holders for each HK\$1 million of the placing, with a minimum of 100 holders.
- The Exchange’s prior written consent is required for allocations to certain persons, including ‘connected clients’ (defined in the Hong Kong Listing Rules) of the lead broker and directors or existing shareholders of the applicant or their associates.
- Not more than 25% of the placing may be allocated to ‘discretionary managed portfolios’ (defined in the Hong Kong Listing Rules).
- Not more than 10% of the placing may be offered to employees or past employees of the applicant.
- Neither the lead broker nor any distributor may retain any material amount of the securities being placed for their own account.

#### “Introduction”

The offer for sale of shares that are already held by a wide spectrum of investors, e.g. shares that are listed on another stock market. Listing through introduction will only be permitted in exceptional circumstances and there must not have been a marketing of the securities in Hong Kong within 6 months prior to the proposed listing. A pre-existing intention to dispose of the securities, a likelihood of significant public demand for the securities, or an intended change of the issuer’s circumstances, would prohibit an introduction.

## **II. QUALIFICATIONS AND REQUIREMENTS FOR LISTING IN HONG KONG**

### **1. Incorporation: Listing of Overseas Companies**

The Hong Kong Listing Rules provide for the listing of companies incorporated in Hong Kong, the PRC, the Cayman Islands and Bermuda (“**Recognised Jurisdictions**”). Companies incorporated in other jurisdictions are required to meet the requirements of Chapter 19 of the Hong Kong Listing Rules and are considered for listing on a “case-by-case basis”. Chapter 19 stipulates different requirements for primary and secondary listings.

#### Primary Listings in Hong Kong

An overseas issuer that is not incorporated in one of the Recognised Jurisdictions is required to satisfy the Hong Kong Stock Exchange that the jurisdiction in which it is incorporated offers standards of shareholder protection that are at least equivalent to those provided in Hong Kong (Rule 19.05(1)(b)).

#### Secondary Listings in Hong Kong

In addition to satisfying the Hong Kong Stock Exchange as to the standards of shareholder protection afforded in its place of incorporation, an issuer listed on another stock exchange must satisfy the Hong Kong Stock Exchange that its primary listing is on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong (Rule 19.30).

In the case of both primary and secondary listings in Hong Kong, the Listing Rules provide that where the Hong Kong Stock Exchange considers that the issuer’s jurisdiction of incorporation does not provide equivalent standards of shareholder protection, it may approve the listing if the issuer amends its constitutive documents to provide equivalent standards of shareholder protection.

The issuer bears the burden of proof in showing that the relevant jurisdiction and, in the case of a secondary listing, exchange provide an equivalent level of shareholder protection. The issuer’s submission is required to include: (i) an analysis of the issuer’s constitutive documents against the articles requirements of the Hong Kong Listing Rules; (ii) an overview of the relevant regulatory regime, including its securities laws and (in the case of a secondary listing) stock exchange rules; and (iii) a comparative analysis of the relevant overseas and Hong Kong laws governing areas relevant to investor protection.

#### Opening of Listing Regime to more Overseas Issuers

The opening of Hong Kong’s equity listing regime to issuers from more overseas jurisdictions is one of the key policy issues for the Hong Kong Stock Exchange and Hong Kong’s Securities and Futures Commission (the “**SFC**”). With the aim of facilitating the listing of more overseas companies on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange and the SFC published a Joint Policy Statement Regarding the Listing of Overseas Companies (the “**Policy Statement**”) on 7 March 2007 and updated it on 27 September 2013. The appendix to the Policy Statement sets out application of the Main Board Listing Rules to primary listings, dual primary listings and secondary listings of overseas issuers on the Hong Kong Stock Exchange.

The main portion of the Policy Statement is divided into five sections: (1) shareholder protection standards, (2) regulatory cooperation arrangements, (3) accounting, auditing and other disclosure requirements, (4) practical and

operational matters and (5) suitability for secondary listing. The following table summarises the application of the Policy Statement in different situations:

	Incorporated in a Recognised Jurisdiction in Hong Kong		Not incorporated in a Recognised Jurisdiction in Hong Kong	
	Primary Listing	Secondary Listing	Primary Listing	Secondary Listing
Main Board	<i>Not applicable</i>	Sections 3 to 5	Sections 1 to 4	Sections 1 to 5
GEM		<i>Not applicable</i>		<i>Not applicable</i>

*(1) Shareholder Protection Standards*

The applicant is required to demonstrate that the combination of the applicant’s constitutional documents and the laws, rules and regulations of its home jurisdiction meet the following key shareholder protection standards:

- A super-majority of members’ votes is required to approve changes to shareholder rights, material changes to the constitutional documents and a voluntary winding-up;
- Any alteration to the constitutional documents which increase an existing member’s liability to the company must be agreed by such member in writing;
- Certain requirements in relation to general meetings including the requirement to hold an annual general meeting each year and that there should be no more than 15 months between one AGM and the next; the requirement to give members reasonable written notice of general meetings; the right of all members to speak and vote at annual general meetings and to appoint proxies, and the right of minority members to convene extraordinary general meetings; and
- The appointment, removal and remuneration of auditors must be approved by a majority of the members or another body that is independent of the board (e.g. the supervisory board in systems that have a two-tier board structure).

The Hong Kong Stock Exchange has approved the following twenty-one “**Acceptable Jurisdictions**” of incorporation for listed issuers: Australia, Brazil, the British Virgin Islands, Canada (Alberta), Canada (British Columbia), Canada (Ontario), Cyprus, France, Germany, Guernsey, the Isle of Man, Italy, Japan, Jersey, the Republic of Korea, Labuan, Luxembourg, Singapore, the United Kingdom and the states of California and Delaware in the the United States of America.

The Hong Kong Stock Exchange has published a “**Country Guide**” for each Acceptable Jurisdiction which sets out guidance on how a company incorporated in that jurisdiction can meet the required shareholder protection standards. Overseas applicants may avoid being required to provide a detailed explanation of its compliance with key shareholder protection standards by adopting the arrangements set out in an applicable Country Guide. If a Country Guide is not yet

available for its Acceptable Jurisdiction, the overseas applicant should refer to the relevant listing decisions instead.

*(2) Regulatory Cooperation Arrangements*

For listing applicants not incorporated in one of the four Recognised Jurisdictions, the statutory securities regulator(s) of the applicant’s jurisdiction of incorporation and place of central management and control (if different) must be either a full signatory of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (“**MOU**”) or have entered into a bi-lateral agreement with the SFC to provide mutual assistance and exchange of information to enforce and secure compliance with applicable laws and regulations.

It is possible for the applicant’s place of incorporation to be different from its place of central management and control. The Hong Kong Stock Exchange will consider three factors to determine the applicant’s place of central management and control:

- where the senior management directs, controls and coordinates company activities;
- where the principal books and records are kept; and
- where the business operations and assets are located.

*(3) Accounting, Auditing and other Disclosure Requirements*

Accountants’ reports and financial statements must conform with Hong Kong Financial Reporting Standards, International Financial Reporting Standards (“**IFRS**”), China Accounting Standards for Business Enterprises (in the case of PRC companies) and United States Generally Accepted Accounting Principles (“**US GAAP**”) (for overseas companies having a secondary listing on the Hong Kong Stock Exchange). Significant departures from these standards must be disclosed and explained and, to the extent practicable, the resulting financial effects should be quantified. The suitability of alternative financial standards depends on whether there is any significant difference between the foreign financial reporting standard and IFRS, and whether there is any concrete proposal to converge or substantially converge the reporting standard with IFRS. The following table summarises alternative standards that have been accepted by the Hong Kong Stock Exchange:

<b>Alternative Financial Reporting Standard</b>	<b>Type of Company or Listing</b>
IFRS as adopted by the European Union	EU company listing on the Exchange
US GAAP	Dual-primary listing in the US and on the Exchange
generally accepted accounting principles of Australia	Dual primary listing in the relevant jurisdiction and on the Exchange  OR  Secondary listing on the Exchange
generally accepted accounting principles in Canada	
Japanese Generally Accepted Accounting Principles	

Singapore Financial Reporting Standards	
Generally accepted accounting practice in the UK	

Rule 19.12 requires financial statements in accountants' reports to be audited to a standard comparable to that required in Hong Kong. The Hong Kong Stock Exchange accepts Australian Auditing Standards, Canadian Generally Accepted Auditing Standards, Article L.225-235 of the French Commercial Code, Italian Auditing Standards, Singapore Standards on Auditing, the Standards for Investment Reporting issued by the UK Auditing Practices Board and the United States Public Company Accounting Oversight Board auditing standards.

Reporting accountants must be qualified according to the Professional Accountants Ordinance and independent according to the Companies Ordinance. Accountants and auditors that are not qualified in Hong Kong are still generally acceptable if they have an international name and reputation and is subject to independent oversight by a regulatory body of a jurisdiction that is a signatory to the MOU, provided that a waiver is obtained from the Hong Kong Stock Exchange.

The following information must be disclosed in the listing document and kept up-to-date in the Company Information Sheet:

- the waivers and exemptions granted to the company;
- if different from those of Hong Kong, the laws and regulations of its home jurisdiction and primary market in relation to the rights of securities holders, directors' powers, investor protection and how shareholders may be bought out after a takeover or share repurchase;
- details of withholding tax on distributable entitlements, tax payable and tax reporting obligations of Hong Kong investors; and
- if depositary receipts are listed, the terms and conditions in the depositary agreement and deed poll.

*(4) Practical and Operational Matters*

Applicants must arrange with the Hong Kong Securities Clearing Company Limited ("HKSCC") to ensure that their securities are eligible for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS"). The Hong Kong Stock Exchange should be informed of:

- the form of the securities;
- the holding structure of scripless securities;
- how the branch register of Hong Kong members is maintained and when it is open to inspection;
- in the case of physical scrip securities, the procedures to replace lost certificates and any restrictions on the holding or transfer of new certificates; and



- any restrictions on Hong Kong investors' right to attend general meetings or to appoint proxies.

*(5) Suitability for Secondary Listings in Hong Kong*

Listing applicants seeking a secondary listing on the HKEx's Main Board must satisfy the following general principles of Rule 2.03:

- the listing applicant to be suitable for listing;
- the issue and marketing of the securities to be conducted in a fair and orderly manner;
- investors and the public to be kept fully informed and given sufficient information that may have a material effect on the market and the prices of the securities;
- all holders of the securities to be treated equally and fairly; and
- the directors of the company to act in the collective interests of the securities holders.

Section III of this note provides more detailed information on secondary listings in Hong Kong.

Hong Kong Depositary Receipts Framework

In a further attempt to increase the number of overseas companies listing in Hong Kong, the Exchange amended the Listing Rules to allow companies to list in the form of depositary receipts ("DRs") with effect from 1 July 2008. The Hong Kong Listing Rules previously required companies listing in Hong Kong to do so in the form of ordinary shares. Allowing overseas companies to list DRs on the HKEx's Main Board (but not on GEM) is intended to allow the Hong Kong listing of companies from jurisdictions which restrict the movement of shares abroad or prohibit an overseas register or splitting of the share register. Companies able to benefit from the ability to list DRs in Hong Kong include those from India, Taiwan and Russia.

**2. Mining and Natural Resources Companies**

The particular advantage of qualifying as a Mineral Company for a company seeking a Main Board listing is the opportunity to obtain a waiver from the requirement to meet the financial tests of Main Board Rule 8.05. Chapter 18 of the Hong Kong Listing Rules sets out specific requirements for Mineral Companies, which are defined as:

- existing listed issuers that complete a major transaction (i.e. 25% or more of existing activities) or above involving the acquisition of mineral or petroleum assets; or
- new listing applicants whose Major Activities (whether directly or through a subsidiary company) include exploration for, and/or extraction

of, natural resources such as minerals or petroleum. A Major Activity is one representing 25% or more of the total assets, gross revenue or operating expenses of the applicant and its subsidiaries.

#### Portfolio of Indicated Resources or Contingent Resources

A new applicant Mineral Company is required to have at least a portfolio of Indicated Resources (in the case of minerals) or Contingent Resources (in the case of petroleum) that are identifiable under one of the accepted reporting standards and substantiated in the report of an independent expert (a “**Competent Person**”). The definition of Indicated Resources is based on the one in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“**JORC Code**”). The definition of Contingent Resources is based on the one in the Petroleum Resources Management System of September 2007 (“**PRMS**”). The portfolio is also required to be meaningful and of sufficient substance to justify a listing. We have been told informally that this requirement will be satisfied in the case of a Main Board listing applicant if the HK\$500 million market capitalisation requirement will be met at the time of listing. Early stage exploration companies are thus not eligible for listing.

#### Rights of Active Participation

A new applicant Mineral Company must also be able to demonstrate that it has the right to actively participate in the exploration for and/or extraction of resources either through:

- control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of resources. This will normally be interpreted as an interest of more than 50%. Companies must also disclose full details of their exploration and/or extraction rights; or
- adequate rights arising under arrangements acceptable to the Exchange, which give it sufficient influence in decisions over the exploration for and/or extraction of the resources. Arrangements which may be acceptable include joint ventures, production sharing contracts or specific government mandates. The Exchange has stated that it will adopt a purposive approach to determining what is appropriate in specific circumstances and places the onus on applicants to demonstrate the adequacy of their rights and sufficiency of influence.

### **3. Trading Record, Management and Ownership Continuity**

A new listing applicant is required to have a trading record of at least 3 financial years with management continuity for the 3 preceding financial years and ownership continuity and control for the most recent audited financial year.

#### **4. Financial Requirements under the Hong Kong Listing Rules**

The issuer must satisfy one of the following 3 financial tests set out in Rule 8.05 of the Hong Kong Listing Rules: the profit test, the market capitalisation/revenue/cash flow test or the market capitalisation/revenue test.

##### ***The profit test***

To meet the profit test, the issuer or its group (excluding any associated companies and other entities whose results are recorded in the issuer's financial statements using the equity method of accounting), must have profit of at least HK\$ 20 million in the most recent year, and of HK\$ 30 million in aggregate for the 2 years before that. Applicants listing under the profit test are also required to have an expected market capitalisation at the time of listing of HK\$ 500 million.

##### ***The market capitalisation/revenue/cash flow test***

To meet the market capitalisation/revenue/cash flow test, the issuer must have:

- a market capitalisation of at least HK\$ 2 billion at the time of listing;
- revenue of at least HK\$ 500 million for the most recent audited financial year; and
- positive cash flow from the issuer's operating activities that are to be listed of at least HK\$ 100 million in aggregate for the 3 preceding financial years.

##### ***The market capitalisation/revenue test (and waiver of the 3-year track record requirement)***

To meet the market capitalisation/revenue test, a new applicant must have:

- a market capitalisation of at least HK\$ 4 billion at the time of listing; and
- revenue of at least HK\$ 500 million for the most recent audited financial year.

Under the market capitalisation/revenue test, the Exchange will accept a shorter trading record period under substantially the same management if it is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least 3 years in the issuer's line of business and industry and there is management continuity for the most recent audited financial year.

##### **Mineral Companies**

A new applicant Mineral Company that cannot satisfy the profit test, the market capitalisation/revenue/cash flow test or the market capitalisation/revenue test of Main Board Rule 8.05, may be accepted for listing if it establishes to the Exchange's satisfaction that its directors and senior management, taken together, have a minimum of 5 years' experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing (Main Board Rule 18.04).

Details of such experience must be included in the applicant's listing document. The Conclusions note that a pre-production stage company seeking a waiver under Main Board Rule 18.04 will need to show a clear path to commercial production. The Exchange expects most companies seeking a Rule 18.04 waiver to be at the development stage, although companies which are in production are not necessarily precluded as they may have junior assets which are yet to be developed. Companies that are in production will however need to be able to show a clear path to profitability in order to be accepted for listing under Rule 18.04.

## **5. Accountants' Report**

The issuer must include in its listing document an accountants' report prepared in accordance with Chapter 4 of the Hong Kong Listing Rules.

The accountants' report must be prepared by professional accountants who are qualified under the Professional Accountants Ordinance. The report must cover the 3 financial years immediately preceding the listing and the latest financial period reported on must not have ended more than 6 months before the date of the listing document. An issuer's accounts are normally required to be prepared in accordance with either Hong Kong Financial Reporting Standards ("**HKFRS**") or International Financial Reporting Standards ("**IFRS**"), although accounts of an overseas company prepared in accordance with US GAAP or other accounting standards may be acceptable to the Exchange in certain circumstances. In the latter case, the Exchange will normally require the accountants' report to include a statement of the financial effect of the material differences (if any) from HKFRS or IFRS.

## **6. Public Float**

At least 25% of the issuer's total issued share capital must be held by the public at all times. Where the issuer has more than one class of securities, the total securities of the issuer held by the public on all regulated stock markets (including the Exchange) at the time of listing must be at least 25% of its total issued share capital. However, the class of securities for which listing is sought must be 15% or more of the issuer's total issued share capital, and have an expected market capitalisation at the time of listing of HK\$125 million or more. The "public" for these purposes means persons who are not "core connected persons" of the issuer or persons whose acquisition of securities has been financed by a core connected person or who are accustomed to take instructions from a core connected person in relation to their shares. "Core connected persons" include the directors, chief executive or substantial shareholders (i.e. holders of 10% or more of the company's shares) of the issuer or its subsidiaries or a close associate of any of them.

The Exchange has a discretion to allow a lower percentage of public float of between 15% and 25% where the expected market capitalisation at the time of listing is over HK\$ 10 billion.

## **7. Spread of Holders**

Securities new to listing are also required to have an adequate spread of shareholders. The number will depend on the size and nature of the issue, but there must be a minimum of 300 shareholders at the time of listing.

In addition, not more than 50% of the securities held by the public at the time of listing may be beneficially owned by the 3 largest public shareholders.

## **8. Working Capital Sufficiency**

A listing applicant must include a working capital statement in the listing document. In making the statement, the applicant must be satisfied after due and careful enquiry that it and its subsidiary undertakings have sufficient working capital for the group's present requirements, that is for at least the next 12 months from the date of publication of the listing document. The applicant's sponsor must provide written confirmation to the Exchange that:

- (i) it has obtained written confirmation from the listing applicant as to the sufficiency of the working capital available to the group for at least 12 months from the date of the listing document; and
- (ii) it is satisfied that this confirmation has been given after due and careful enquiry by the applicant and that the persons or institutions providing finance have stated in writing that the financing facilities exist.

### Mineral Companies

A new applicant Mineral Company will be required to demonstrate that it has sufficient working capital for 125% of the group's requirements for the next 12 months including general, administrative and operating costs, property holding costs and the cost of any proposed exploration and/or development (Main Board Rule 18.03(4)). A statement as to the sufficiency of working capital must be included in the listing document.

## **9. Competing Business of the Controlling Shareholder or a Director**

Where the issuer has a controlling shareholder or director (other than an independent non-executive director) with an interest in a business which competes or is likely to compete with the business of the issuer, the Exchange requires details of the interest to be disclosed in the listing document. Disclosure of directors' interests in a competing business must continue to be disclosed in the issuer's annual reports after listing.

A controlling shareholder is taken to mean any person or group of persons who together are entitled to exercise 30% or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of the issuer.

## **10. Sponsor**

A new applicant seeking a listing of equity securities on the HKEx's Main Board must appoint one or more sponsors to assist with its listing application. Only corporate finance advisers licensed by the SFC to conduct sponsor work are permitted to act as sponsors. The sponsor must be independent from the applicant from the date of submission of the listing application until the date of listing and must comply strictly with the Hong Kong Listing Rules relating to sponsors.

The sponsor is responsible for preparing the issuer for listing, the submission of the application for listing and for dealing with the Exchange on all matters concerning the application.

Additionally, the sponsor must be satisfied that the new issuer is suitable to be listed, that the information contained in the prospectus is complete and accurate in all material respects and that the issuer's directors will be able to honour their obligations under the Hong Kong Listing Rules post-listing.

### Mineral Companies

The Rules impose an obligation on any sponsor appointed to or by a new applicant Mineral Company to ensure that the Competent Person or Competent Evaluator meets the requirements of Main Board Chapter 18.

#### **11. Management Presence**

The issuer is required to have sufficient management presence in Hong Kong which will normally mean that at least 2 of its directors should be ordinarily resident in Hong Kong. A waiver from compliance with this requirement may be sought in the case of an overseas company.

#### **12. Authorised Representatives**

Every issuer must appoint 2 authorised representatives to act at all times as the issuer's principal channel of communication with the Exchange. The authorised representatives must be either 2 directors or a director and the company secretary unless the Exchange, in exceptional circumstances, agrees otherwise. The authorised representatives are required to provide their contact details to the Exchange and must ensure that whenever they are outside Hong Kong, suitable alternates are appointed and their contact details are given to the Exchange in writing.

#### **13. Company Secretary**

A person will be qualified to act as company secretary if by virtue of his/her academic or professional qualifications or relevant experience he/she is, in the opinion of the Exchange, capable of discharging the functions of a company secretary. The academic or professional qualifications which the Exchange considers acceptable are membership of The Hong Kong Institute of Chartered Secretaries and being a Hong Kong solicitor, barrister or certified public accountant.

In assessing a person's relevant experience, the Exchange will consider the individual's length of employment with the issuer and other issuers and the roles he has played, the person's familiarity with the Listing Rules and other relevant Hong Kong laws and regulations, relevant training undertaken and professional qualifications in other jurisdictions.

A company secretary is not required to be resident in Hong Kong.

#### **14. Process Agent**

An overseas issuer must appoint, and maintain throughout the period its securities are listed on the Exchange the appointment of, a person authorised to accept service of process and notices on its behalf in Hong Kong. The Exchange must be notified of such appointment, any termination of such appointment, and details of the appointee.

#### **15. Share Register**

Overseas issuers must maintain a register of shareholders in Hong Kong and provide for transfers to be registered locally.

#### **16. Corporate Governance Requirements under the Hong Kong Listing Rules**

##### Independent Non-executive Directors

There must be at least 3 independent non-executive directors (who are not expected to have any management function) appointed to the board of every issuer. At least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.10A further requires that at least one third of an issuer's board of directors to be independent non-executive directors. The factors to be taken into account in assessing the independence of a director are set out in Rule 3.13. Situations in which a director's independence is likely to be questioned include where the director: (i) holds more than 1% of the applicant's total issued share capital; (ii) is a partner or principal of a professional adviser which currently provides (or has within the previous year provided) services to the issuer, a member of its group, its connected persons or controlling shareholder; or (iii) has a material interest in any principal business activity of the issuer, its group or any of its connected persons or is involved in any material business dealings with any of them.

##### Audit Committee

The establishment of an audit committee is a compulsory requirement for Main Board issuers (Rule 3.21). The committee must be made up of non-executive directors only, the majority of which must be independent non-executive directors of the listed issuer. The committee must have a minimum of 3 members, at least one of whom must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The committee must be chaired by an independent non-executive director.

##### Remuneration Committee

Every issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors with terms of reference establishing its duties which have been approved by the board (Rules 3.25 and 3.26). Issuers must publish an announcement containing the relevant details and reasons if they fail to meet these requirements.

### Nomination Committee

The Corporate Governance Code requires issuers to have a nomination committee which must comprise a majority of independent non-executive directors and be chaired by the board chairman or an independent non-executive director.

### Compliance Adviser

A listed issuer is required to retain a compliance adviser for the period commencing on the date of listing and ending on the publication of its financial results for the first full financial year after listing (Rule 3A.19). A compliance adviser must be licensed by the SFC to conduct sponsor work. A compliance adviser must act impartially but is not required to be independent of the issuer. An issuer may, but is not obliged to, appoint as its compliance adviser the same firm that acted as the sponsor of its initial public offering.

Issuers are required to consult with, and if necessary, seek advice from their compliance advisers on a timely basis in the following 4 situations:

- (i) before publication of any regulatory announcement, circular or financial report;
- (ii) where a notifiable or connected transaction is contemplated;
- (iii) where the issuer proposes to use the IPO proceeds differently to the manner detailed in the listing document or where the issuer's business activities, developments or results deviate from any forecast, estimate or other information in the listing document; and
- (iv) where the Exchange makes an inquiry of the issuer under Rule 13.10 regarding unusual movements in the price or trading volume of its securities.

The Exchange may also require an issuer to appoint a compliance adviser at any other time after the first full financial year after listing, for example if the issuer has breached the Hong Kong Listing Rules. In this case the Exchange will specify the period of appointment and the circumstances in which the compliance adviser must be consulted.

## **III. ADDITIONAL REQUIREMENTS FOR SECONDARY LISTINGS OF OVERSEAS ISSUERS**

Chapter 19 sets out additional requirements for issuers incorporated outside Hong Kong with slightly different requirements for primary and secondary listings. The requirements for a primary listing on the Exchange are as set out above. The principal differences in the requirements for secondary listings are set out below.

### **1. Standards of Shareholder Protection**

As already discussed, an overseas listing applicant must demonstrate to the Exchange that its jurisdiction of incorporation and the exchange of its primary listing provide standards of shareholder protection which are at least equivalent to the standards of shareholder protection provided in Hong Kong. Any shortcoming



in the relevant standards can be rectified by amendments to the applicant's constitutive documents. **Recognised Exchanges** are considered to meet this requirement.

In addition, if the Exchange considers that the majority of trading in the issuer's securities is likely to be on the Exchange, the following additional requirements apply:

- (i) the issuer's primary listing must be on a regulated, regularly operating, open stock market which is recognised by the Exchange for this purpose. The London and Irish Stock Exchanges have been recognised for this purpose. Issuers with a primary listing on other stock exchanges will need to satisfy the Exchange that the relevant stock market should be recognised by the Exchange for this purpose.
- (ii) the issuer must have an adequate nexus with that market; and
- (iii) the primary regulator in that market must have entered into a written agreement with the Exchange governing the parties' respective roles in the regulation of the issuer.

These requirements are intended to prevent an issuer from selecting as its primary exchange, an exchange with lower standards of regulation than the Exchange and using the Exchange as the main venue for trading its securities.

## **2. Recognised Exchanges**

Currently, the following exchanges are Recognised Exchanges which are considered to provide standards of shareholder protection equivalent to those provided in Hong Kong:

- the Amsterdam Stock Exchange (NYSE Euronext – Amsterdam);
- the Australian Securities Exchange (ASX);
- the Brazilian Securities, Commodities and Futures Exchange (BM&FBOVESPA);
- the Frankfurt Stock Exchange (Deutsche Börse);
- the Italian Stock Exchange (Borsa Italiana);
- the London Stock Exchange (premium segment, LSE);
- the Madrid Stock Exchange (Bolsa de Madrid);
- NASDAQ OMX (US)
- the New York Stock Exchange (NYSE Euronext (US));
- the Paris Stock Exchange (NYSE Euronext – Paris);

- the Singapore Exchange (SGX);
- the Stockholm Stock Exchange (NASDAQ OMX –Stockholm);
- the Swiss Exchange (SIX Swiss Exchange);
- the Tokyo Stock Exchange (TSE); and
- the Toronto Stock Exchange (TMX).

### **3. Overseas Listing**

The listing on the issuer’s primary exchange must have been granted before the listing on the Exchange can be granted.

### **4. Public Float**

The requirement that a prescribed minimum percentage of the issuer’s shares must be held by the public at all times does not apply. However, the company must ensure that there are sufficient registered shares on its Hong Kong share register to ensure liquidity and should transfer shares over from the overseas share register, if it is necessary to do so. The company must take steps to avoid price volatility in its shares and demand/supply imbalances between the overseas market and Hong Kong.

### **5. Listing Document**

The Exchange may require the listing document to contain a summary of the relevant regulatory provisions applicable to companies with a primary listing on the issuer’s primary stock exchange. If the company that is incorporated in a Recognised Jurisdiction that is not also its place of central management and control, the listing document must disclose whether the statutory securities regulator of its place of central management and control is a full signatory of the MOU or has entered into a bilateral agreement with the SFC to provide mutual assistance and exchange of information.

### **6. Authorised Representatives**

The overseas issuer need only appoint one authorised representative who need not be a director or secretary, but must be a person acceptable to the Exchange.

### **7. Waivers**

Listing applicants may obtain waivers from compliance with certain Hong Kong Listing Rules if certain requirements are met. There are two types of waivers available to listing applicants: (i) common waivers and (ii) automatic waivers. Common waivers are granted by the Exchange on application by the listing applicant, whereas automatic waivers are granted automatically provided that certain requirements are met. The requirements for both types of waivers are set out in the appendix to the Policy Statement.

To obtain a common waiver, the listing applicant must:

- (a) have a market capitalisation above USD400 million;
- (b) have been listed in its primary market for at least five years; and
- (c) demonstrate a good record of compliance with the rules and regulations of its home jurisdiction and primary market.

To obtain an automatic waiver, the listing applicant must:

- (a) meet the above three requirements for common waivers;
- (b) be primarily listed on a Recognised Exchange; and
- (c) have a “centre of gravity” outside of Greater China.

To determine whether the applicant has a “centre of gravity” outside of Greater China, the Exchange would consider the following non-exhaustive list of factors:

- whether the applicant is listed in Greater China;
- the company’s place of incorporation;
- the company’s history;
- the location(s) of the company’s headquarters, central management and control, main operations, assets and corporate and tax registration; and
- the nationality or country of residence of the company’s management and controlling shareholders.

Waivers are conditional upon the applicant’s maintenance of its primary listing in the same market that it had when it achieved a secondary listing on the Exchange. Waivers are more likely to be granted for listing applicants that are primarily listed on Recognised Exchanges, provided that they have not received waivers from or is otherwise exempt from the laws, rules or regulations that generally apply in their primary markets.

#### **IV. INTRODUCTION AS METHOD OF OBTAINING A SECONDARY LISTING**

The most commonly used method of obtaining a secondary listing on the Exchange is to apply for a listing by way of introduction. An introduction is an application for listing of securities which are already in issue where no marketing arrangements are required because the securities to be listed are already of such an amount and so widely held that their adequate marketability when listed can be assumed (Rule 7.13).

The Hong Kong Listing Rules provide that an introduction will normally be appropriate in the following three circumstances:

- (i) where the securities to be listed are already listed on another stock exchange;
- (ii) where an issuer's securities are issued in specie by a listed issuer to its own shareholders or to those of another listed issuer; or
- (iii) where a holding company is formed and its securities are issued in exchange for those of one or more listed issuers (Rule 7.14).

The Exchange will not normally allow a listing by way of introduction where there is a pre-existing intention to dispose of securities, a likelihood of significant public demand for the securities or an intended change of the issuer's circumstances or in the nature of the issuer's business. In addition, an introduction will not normally be permitted if the securities have been marketed in Hong Kong in the previous 6 months and the marketing was conditional on listing being granted for those securities.

The Hong Kong Listing Rules require listing applicants to apply to the Exchange as soon as possible for confirmation that an introduction will be an appropriate method of listing. The application must state the names and holdings of the ten largest beneficial owners of the securities (if known) and the total number of holders. Particulars of the holdings of the applicant's directors and their associates should also be included. A copy of the share register may be required by the Exchange.

## **V. RESTRICTIONS FOLLOWING NEW LISTING**

### **1. Moratorium on Disposal of Shares by Controlling Shareholders**

The Hong Kong Listing Rules contain restrictions on the disposal of securities by controlling shareholders following a company's new listing. Any person shown to be a controlling shareholder by the company's listing document must not:

- (i) dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares which the listing document shows to be beneficially owned by him during the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholder is made in the listing document and ending on the date which is 6 months from the date on which dealings in the applicant's securities commence on the Exchange; or
- (ii) dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares which the listing document shows to be beneficially owned by him if, such disposal or the exercise or enforcement of such options, rights, interests or encumbrances, would result in him ceasing to be a controlling shareholder in the period of 6 months commencing on the date on which the period referred to in (i) above expires.

Offers for sale contained in a listing document are not subject to the above restrictions.

A controlling shareholder is allowed to purchase additional shares and to dispose of such shares during the relevant periods, provided that the minimum public shareholding requirement with respect to the issuer's shares can be met.

## **2. No further Issues of Shares within 6 Months of Listing**

The Hong Kong Listing Rules prohibit further issues of shares or securities convertible into shares of a listed issuer or the entering into of any agreement for such an issue within 6 months from the date on which dealings in the issuer's shares commence on the Exchange (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealings). There are exceptions for:

- (i) the issue of shares pursuant to a share option scheme under Chapter 17 of the Hong Kong Listing Rules;
- (ii) the exercise of conversion rights attaching to warrants issued as part of the IPO;
- (iii) any capitalisation issue, capital reduction or consolidation or sub-division of shares; and
- (iv) the issue of shares or securities pursuant to an agreement entered into before the commencement of dealing and disclosed in the issuer's listing document.

## **3. Restriction on Fundamental Change in the Nature of Business**

In the 12 months following listing, an issuer may not effect any acquisition, disposal or other transaction or arrangement (or series thereof) which would result in a fundamental change in the principal business activities of the listed issuer as described in its listing document. The Exchange may however grant a waiver from this restriction if the circumstances are exceptional and the transaction is approved by a resolution of the issuer's independent shareholders (any controlling shareholder, or if none any chief executive or directors, and their associates must abstain from voting in favour).

# **VI. APPLICATION PROCEDURES AND REQUIREMENTS**

## The Role of the Sponsor and Form A1

For new applicants, the sponsor is responsible for lodging the application for listing, together with all supporting documents, and for dealing with enquiries from the Exchange. A chart summarising the process for a listing application for shares on the HKEx's Main Board is attached as Appendix C.

A new applicant must apply for listing by submitting Form A1, a substantially complete draft of the listing document (the "Application Proof") and all other relevant documents, together with the initial listing fee. A listing application must be submitted at least two months after the date of the sponsor's formal appointment,<sup>1</sup> or if there is more than one sponsor, at least two months after the

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<sup>1</sup> The date of a sponsor's formal appointment will normally be the date of the engagement letter. However, if the Exchange considers that a sponsor has not notified it in writing of its appointment as soon as practicable as required under Rule 3A.02, it

date of formal appointment of the last sponsor to be appointed (Rule 3A.02B). The completed Form A1 is valid for 6 months; if an applicant delays its proposed timetable beyond 6 months from the date of its submission, a new Form A1 must be lodged with the Exchange and a further initial listing fee will be payable. Where an applicant changes its sponsor(s) (including by adding or removing a sponsor), the applicant is obliged to submit a new listing application form to the Exchange, accompanied by the initial listing fee.

#### Discretionary Powers of the Exchange

It should be noted that the Exchange retains the power to refuse a listing application or to alter the timetable for listing. Additionally, the requirements discussed here are not exhaustive and the Exchange may demand that an applicant for listing provide such other documentation or information as it sees fit.

#### Draft Timetable

The listing application form must include a draft timetable, which is subject to the approval of the Exchange, and any alterations to this timetable must also be approved by the Exchange. If an applicant wishes to reactivate a listing application which has been delayed, and the date of reactivation is less than six months after the date of the listing application form, the applicant is required to submit a revised timetable which must be agreed with the Exchange. Additionally, the new applicant is obliged, on a fortnightly basis, to keep the Exchange informed on the progress of the application. The Exchange may require the timetable to be amended, for instance where an applicant does not provide the necessary documentation within the correct timeframe.

#### Publication of Application Proof on the Exchange's website and requirement for information to be "substantially complete"

The Application Proof of the listing document is required to be published on the website of the Exchange.<sup>2</sup> The information contained in the Application Proof, the Form A1 and other documents submitted with Form A1 is required to be substantially complete, except for information that, by its nature, can only be finalised and included at a later date. If the Exchange does not consider the information to be substantially complete, it will return the listing application and all other documents to the sponsor. If an application is returned, the Exchange will publish on its website the names of the listing applicant and its sponsor(s) and the date of its decision to return the listing application ("Return Decision").<sup>3</sup> It will also refund the initial listing fee unless it returns the listing application after issuing its first comment letter, in which case the initial listing fee will be forfeited. The applicant can resubmit the Form A1 and a new Application Proof, but cannot do so until 8 weeks after the date of the Return Decision to return the listing application.

The Listing Division's decision to return a listing application on the ground that the listing application is not "substantially complete" can be reviewed by the Listing Committee. If the Listing Committee endorses the decision of the Listing Division to return the listing application on the ground that the listing application

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may treat the date of notification as the date of formal appointment when determining whether the two month requirement is met. The Exchange normally expects notification of a sponsor's appointment within five business days from the date of the engagement letter. (Question 5 of the Exchange's FAQ Series 24).

<sup>2</sup> This requirement has been suspended until 1 April 2014 (paragraph 9(b) of Practice Note 22).

<sup>3</sup> These arrangements are suspended until 1 April 2014 (paragraph 9(b) of Practice Note 22).

is not “substantially complete”, the decision of the Listing Committee can be reviewed by the Listing (Review) Committee. The decision of the Listing (Review) Committee on the review is conclusive and binding on the listing applicant and the sponsor.

#### Exchange’s Power to Delay the Hearing

During the review process, if the Exchange forms the view that any of the following will not be achieved by the applicant at least four business days before the expected hearing date, it may delay the hearing:

- (a) the submission of the revised proof of the listing document containing sufficient and appropriate disclosure of all the requisite information as set out in Chapter 11;
- (b) the submission of any outstanding documents requested by the Exchange; and
- (c) the Exchange’s queries and comments being satisfactorily addressed in a timely fashion.

The Exchange notes that while the review process is ongoing, the sponsor(s) should not revise the contents of the listing document in a fragmentary, bit-by-bit manner. A revised proof of the listing document must completely address all the Exchange’s comments on the previous proof. Otherwise, the Exchange may refuse to review the revised proof.

If any document is amended subsequent to its submission, a corresponding number of further copies are required to be delivered to the Exchange for review, with notes in the margin showing (a) where the relevant items from Appendix 1 to the Hong Kong Listing Rules have been met and (b) where changes to address issues raised by the Exchange were made. It should also be highlighted that the making of any material change to the final proof listing document is prohibited, save where that change is permitted by the Exchange.

The listing document cannot be made public until the Exchange informs the issuer that it has no further comments to make on the document, although new applicants are permitted to release a draft or preliminary listing document, clearly marked as such, in order to assist in the underwriting procedure.

#### Publicity Material

The Exchange must be given the opportunity to review all publicity material (which must conform to statutory requirements) made available in Hong Kong in relation to an issue of securities by a new applicant and such material cannot be released until the Exchange has stated that it has no comment to make on the material. If the Exchange believes information regarding a new applicant’s listing has been leaked, it will normally delay the application process. For these purposes, publicity material does not include material whose purpose is to promote the issuer, its products or business rather than the promotion of the securities to be issued.

Other documents which can be published without review by the Exchange are:

- an Application Proof published on the Exchange’s website;

- a Post Hearing Information Pack (“**PHIP**”) published on the Exchange’s website;
- a statement by the applicant (and published on the Exchange’s website) that no reliance should be placed on media reports on the applicant subsequent to the publication of the Application Proof or PHIP which is in the standard form set out in Enclosure 3 of Guidance Letter HKEx-GL57-13; or
- the invitation or offering document, and drafts of agreements to be entered into in connection with the issue of securities (as long as any obligations they impose are conditional upon listing being granted).

The consequence of any material relating to a proposed listing by a new applicant being made public without prior review by the Exchange, prior to the meeting of the Listing Committee to consider the application, is that the Exchange may delay the timetable for the proposed meeting of the Listing Committee by up to a month.

#### Release of Price Sensitive Information

Listed issuers have a statutory duty to keep all details of the proposed listing confidential before it is announced.

#### Dealing in the Securities of the Applicant

There must be no dealing in the securities to be listed by any connected person from 4 clear business days before the expected hearing date until listing is granted. The directors of the issuer seeking to list the securities in question have a duty to inform the Exchange of any such dealing or suspected dealing which comes to their knowledge. The application may be refused if any directors or their associates are discovered to have taken part in such dealing.

### **Documentary Requirements for New Listing Applicants**

The following documents must be lodged with the Exchange and the Exchange has full discretion to request any further documents as it sees fit.

- Together with the Form A1
  - a sponsor’s confirmation that the listing applicant has submitted the Application Proof for publication on the Exchange’s website in accordance with Rule 12.01A;<sup>4</sup>
  - copies of an Application Proof (in such numbers as the Exchange may require) and 2 CD-ROMs containing the Application Proof and other documents as the Exchange may require;

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<sup>4</sup> The requirement to publish Application Proof has been suspended until 1 April 2014 (paragraph 9(b) of Practice Note 22)



- an undertaking and statement of independence in the form of Appendix 17 to the Hong Kong Listing Rules from each sponsor to the listing applicant;
- final or advanced drafts of all requests for waiver from the requirements of the Hong Kong Listing Rules and the provisions of the Companies Ordinance from the sponsor and the directors/proposed directors;
- a written confirmation signed by each director that the information in the Application Proof is accurate and complete in all material respects and is not misleading or deceptive;
- a written confirmation and undertaking signed by each director and proposed director of the listing applicant confirming that the Application Proof contains the biographical details of such director required by Rule 13.51(2) and that those details are complete and accurate; that any changes to these details which occur before dealings commence will be reported to the Exchange as soon as practicable; and to lodge a further declaration and undertaking as soon as practicable after issue of the prospectus.
- an advanced draft of any statement of adjustments relating to the accountants' report included in the Application Proof.
- in the case of the listing of depositary receipts, a draft deposit agreement and a specimen certificate for the depositary receipts; and in the case of the listing of depositary receipts, a legal opinion from legal advisers in the jurisdictions which governs the deposit agreement confirming:
  - (a) that the deposit agreement (taken by itself or together with any deed poll conferring certain rights on holders of depositary receipts) creates valid and binding rights and obligations between the issuer, depositary and the holders of the depositary receipts in accordance with its terms; and
  - (b) addressing any other matters as the Exchange may have previously requested
- where the Application Proof contains a profit forecast, a final or advanced draft of the board's profit forecast memorandum covering the same period of the profit forecast contained in the Application Proof and cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document setting out the principal assumptions, accounting policies and calculations for the forecasts;
- where the Application Proof does not contain a profit forecast, a final or advanced draft of the board's profit forecast memorandum covering the period up to the forthcoming

financial year end date after the date of listing and cash flow memorandum covering at least 12 months from the expected date of publication of the listing document setting out the principal assumptions, accounting policies and calculations for the forecasts;

- a certified copy of the applicant's certificate of incorporation (or equivalent);
  - an advanced draft of a letter from the sponsor confirming that it is satisfied that the statement by the issuer's directors in the Application Proof as to the sufficiency of working capital has been made by the directors after due and careful enquiry;
  - additional information to be submitted together with Form A1 as set out in form M104;
  - completed checklists on (i) basic qualifications for new listing under the Hong Kong Listing Rules (Form M105); (ii) basic requirements for contents of listing document under the Hong Kong Listing Rules and Companies Ordinance (Form M106); (iii) rules on valuation of and information on properties (Form M107); and (iv) rules on accountants' report (Form M108);
  - a final or draft legal opinion from a legal adviser of the relevant jurisdiction on the listing applicant's Chinese name if a Chinese stock short name is required for a non-Hong Kong or a non-PRC issuer; and
  - any other document required by the Exchange.
- At least 4 clear business days before the expected hearing date
- copies of the final proof of the prospectus (in such numbers as the Exchange may require) and 2 CD-ROMs containing the same proof;
  - a confirmation from the new applicant's legal advisers that the applicant's articles of association are not inconsistent with the Hong Kong Listing Rules and the laws of the applicant's place of incorporation or establishment;
  - unless previously provided, all executed requests for waiver from the requirements of the Hong Kong Listing Rules and the Companies Ordinance;
  - in the case of the listing of depositary receipts, a certified copy of the signed deposit agreement;
  - for an investment company under Chapter 21: (i) a formal application for listing on Form C3Z in Appendix 5 to the Hong Kong Listing Rules; and (ii) a written submission from the sponsor where there is to be restricted marketing that (a) there

is not likely to be significant public demand for the securities of the investment company and (b) adequate arrangements have been made to ensure that the securities of the investment company will not be permitted to be marketed to the public under Rules 21.14(1) and 21.14(3); and

- completed checklist on the new listing particulars (Form M201)
- Before bulk-printing of the prospectus
- a final proof of the formal notice;
  - a final proof of the application form to subscribe or purchase the securities for which listing is sought;
  - a final letter from the sponsor confirming that it is satisfied that the statement by the issuer's directors in the Application Proof as to the sufficiency of working capital has been made by the directors after due and careful enquiry and that persons or institutions providing finance have stated in writing that such facilities exist;
  - a final copy of all draft documents submitted to the Exchange in support of the application for listing; and
  - a signed and certified true copy of the undertakings from the listing applicant's controlling shareholder in relation to pledged/charged securities, as required under note 3 to Rule 10.07;
  - in the case a listing applicant has been given a mandate to make share repurchases, (a) a confirmation from the applicant that the explanatory statement required to be sent to the listing applicant's shareholders contains the information required under Rule 10.06(1)(b) and that neither the explanatory statement nor the proposed share repurchase has unusual features; and (b) an undertaking from the listing applicant's directors to the Exchange under Rule 10.06(1)(b)(vi);
  - a signed confirmation from a legal adviser that the prospectus duly complies with relevant Companies Ordinance requirements;
  - notification to the Exchange in writing if the listing applicant will not adopt the standard transfer form;
  - a sponsor's confirmation that the applicant has submitted the PHIP for publication on the Exchange's website in accordance with Rule 12.01B; and
  - before noon on the day when the sponsor would like to obtain the Exchange's clearance for bulk-printing the listing document, a confirmation from the listing applicant or the

sponsor that the listing document covers (both English and Chinese versions) meet the principles set out in Guidance Letter HKEx-GL13-09 – Prospectus Covers.

- As soon as possible after the hearing of the listing application but on or before the date of issue of the prospectus
  - a copy of the English and Chinese language versions of the prospectus and the application form. The copy of the prospectus must be dated and signed by all the directors and proposed directors and the secretary of the issuer. Where the prospectus is signed by an agent, a certified copy of the authorisation or power of attorney must be provided;
  - one copy of the formal notice;
  - a copy of the written notification from the HKSCC stating the securities will be eligible for deposit, clearance and settlement in CCASS;
  - every written undertaking and confirmation from the listing applicant, its shareholders and/or other relevant parties to the Exchange referred to in the prospectus;
  - the original signed sponsor declaration in the form in Appendix 19 to the Hong Kong Listing Rules; and
  - where applicable, (i) documents under Rule 9.11(33); and (ii) a sponsor's confirmation that the prospectus and application forms have been registered and that the Exchange is authorised to publish the prospectus and application forms on the Exchange's website.
  
- By no later than 11 a.m. on the intended date of authorisation of the prospectus
  - an application for authorisation for registration of the prospectus under the Companies Ordinance;
  - 2 printed copies of the prospectus signed by each director and proposed director of the listing applicant (in the case of a Hong Kong company) or by 2 members of the applicant's governing body (in the case of an overseas company) and attaching the documents stipulated by the Companies Ordinance; and
  - in respect of the Chinese or English translation of the prospectus, a certificate from the translator certifying that the translation is true and accurate and a certificate issued by the sponsor as to the competency of the translator.

- As soon as practicable after the issue of the prospectus but before dealings commence
- a certified copy of the new applicant's resolution(s) in general meeting (if any) authorising the issue of the securities to be listed;
  - a certified copy of the resolutions of the board of directors or other governing body authorising the issue and allotment of the securities, the making of the listing application, the making of arrangements for the securities to be admitted to CCASS, the signing of the listing agreement and approving and authorising the issue of the prospectus;
  - a signed sponsor's declaration (in the form set out in Form E of Appendix 5 to the Hong Kong Listing Rules);
  - a declaration signed by a director and the secretary of the new applicant (in the form set out in Form F of Appendix 5 to the Hong Kong Listing Rules) together with any annual listing fee which is payable; and
  - a written declaration and undertaking, in the form set out in Form B/H/I of Appendix 5 to the Hong Kong Listing Rules, duly signed by each director/supervisor and proposed director/supervisor of the new applicant
  - In the case of a placing of securities:
    - (a) a copy of the placing letter and separate marketing statements in the form set out in Form D in Appendix 5 to the Hong Kong Listing Rules signed by each of: (i) the lead broker; (ii) any distributors; and (iii) any Exchange Participant referred to in paragraph 9 of Appendix 6 to the Hong Kong Listing Rules;
    - (b) a list from each placing broker setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and registration numbers (where companies) of all its placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each of its placees. Such lists may be supplied directly to the Exchange by each placing broker in order to maintain confidentiality;
  - an electronic copy of each sample application form together with an electronic copy of the prospectus; and
  - an electronic file of the allotment results for publication on the Exchange's website under Appendix F of the ESS User Manual; and where the listing applicant proposes to raise HKD 1.5 billion or more in the Hong Kong offering, include a "Search

by Identity Card” function to facilitate searching of IPO allotment results on the listing applicant’s own website.

### **Documentary Requirements for Applications by Listed Issuers**

➤ Together with Form C1 in Appendix 5 to the Hong Kong Listing Rules

The application must be submitted at least 10 clear business days before the bulk-printing of the listing document (or 4 clear business days before the proposed date for issuing the securities, if the application is not required to be supported by a listing document) along with the following documents:

- such number of copies of drafts of the listing document as the Exchange requires, with margin notes to indicate where the requirements under Chapter 11 and Part B (or F) in Appendix 1 to the Hong Kong Listing Rules and the Companies Ordinance are met;
- a draft statement of adjustments to the accountants’ report, if any;
- a draft of the board’s profit forecast memorandum setting out the principal assumptions, accounting policies and calculations for the forecast; and
- for an issue of new warrants to existing warrant holders, a legal opinion from a lawyer of the relevant jurisdiction, confirming that the warrant proposal complies with the issuer’s constitutive documents and the terms of the existing warrant instrument.

➤ Before bulk-printing of the listing document

- if the listing document contains a statement as to the sufficiency of working capital, a letter from the issuer’s financial advisers or auditors, confirming that:
  - (a) the statement has been made by the directors after due and careful enquiry; and
  - (b) persons or institutions providing finance have confirmed in writing that such facilities exist; and
- if the vendor of securities being marketed has not completed payment for those securities at the date of the offer:
  - (a) a certified copy of an irrevocable authority given by the vendor to the receiving bankers for the offer authorising the receiving bankers to apply the proceeds of the offer to discharge the outstanding debt; and
  - (b) a certified copy of the receiving bankers’ acknowledgement of this authority and an agreement to act on it.

➤ On or before the date of issue of the listing document

- all written undertakings from the listed issuer, its shareholders and/or other relevant parties to the Exchange mentioned in the listing document; and
  - for the listing of a new class of securities, a copy of the written notification issued by HKSCC stating that the securities will be eligible for deposit, clearance and settlement in CCASS.
- In case of a listing document constituting a prospectus under the Companies Ordinance
- at least 14 days before the proposed date of registration of the prospectus by the Registrar of Companies, notice of the proposed date of registration of the prospectus;
  - by 11 a.m. on the intended date of authorisation for registration of the prospectus,
    - (a) an application for authorisation for registration of the prospectus under the Companies Ordinance (as the case may be);
    - (b) two printed copies of the prospectus, duly signed in accordance with the Companies Ordinance (as the case may be) and having endorsed thereon or annexed thereto the documents required under the relevant section;
    - (c) as regards every Chinese translation of the prospectus,
      - (i) a certificate issued by the translator certifying the accuracy and truth of the Chinese translation of the English version of the prospectus;
      - (ii) a certificate issued by the issuer certifying the competency of the translator in relation to the certificate referred to in (i) above; and
    - (d) any power of attorney or other authority under which the prospectus is signed, together with a certified copy thereof; and
  - as soon as practicable after the registration of the prospectus, a copy of the letter from the Registrar of Companies confirming the registration.
- Before dealings commence
- a certified copy of the resolution(s) of the board of directors or other governing body or any other person to whom these powers have been properly delegated (together, in such cases, with a certified copy of the power of attorney or resolution delegating the

powers) authorising the issue and allotment of such securities, the making of the Form C1 listing application, and where applicable, the making of all necessary arrangements enabling such securities to be admitted into CCASS, and approving and authorising the issue of the listing document;

- a declaration substantially in the form set out in Form F in Appendix 5 to the Hong Kong Listing Rules, signed by a director and the secretary of the issuer together with any annual listing fee which is payable and which has not previously been paid;
- in the case of the placing by a listed issuer of a class of securities new to listing:
  - (a) a copy of the placing letter and separate marketing statements in the form set out in Form D in Appendix 5 to the Hong Kong Listing Rules, signed by each of: (i) the lead broker; (ii) any distributors; and (iii) any Exchange Participant referred to in paragraph 9 of Appendix 6 to the Hong Kong Listing Rules; and
  - (b) a list from each placing broker setting out the names, addresses and identity cards or passport numbers (in the case of individuals) and the names, addresses and registration numbers (in the case of companies) of all its placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each of its placees. Such lists may be supplied directly to the Exchange by each placing broker in order to maintain confidentiality;
- in the case of the placing by a listed issuer of a class of securities already listed, the Exchange may require the issuer to submit information on the placees for the purpose of establishing their independence;
- in the case of securities issued as consideration for shares in a listed company acquired under section 168 of the Companies Ordinance, a certified copy of the notice given under than section; and
- a declaration from the security printers responsible for the production of bearer documents in accordance with paragraph 25 of Part B of Appendix 2 to the Hong Kong Listing Rules.

### Mineral Companies

The above application procedures and requirements apply equally to the listing of mining and natural resource companies. There are, however, additional requirements as to the contents of the prospectus of a new applicant whose activities include to a material extent exploration for natural resources. These additional contents requirements for the prospectus include:



### Competent Persons' Reports

A new applicant Mineral Company must include in its listing document a report on its resources and reserves prepared by a Competent Person. A Competent Person is required to have a minimum of 5 years' relevant experience and must be professionally qualified, and be a member of a relevant professional organisation, in a jurisdiction whose statutory securities regulator has satisfactory arrangements with the SFC for mutual assistance and exchange of information (by way of the IOSCO Multilateral MOU or other bilateral agreement acceptable to the Exchange). The Competent Person must take overall responsibility for the report and must be independent of the listing applicant, its directors, senior management and advisers. The independence test is that the Competent Person must:

- i. have no economic or beneficial interest (present or contingent) in any of the assets being reported on;
- ii. not be remunerated with a fee dependent on the findings of the report;
- iii. in the case of an individual, not be an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer; and
- iv. in the case of a firm, not be a group, holding or associated company of the issuer. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the issuer

The Competent Person's Report must have an effective date less than 6 months before the date of the listing document and the applicant's listing document must include a statement that no material changes have occurred since the date of the Competent Person's Report. If there are material changes, these must be prominently disclosed. The statement of no material changes may be made either by the Competent Person or the listing applicant.

### Reporting Standards

A Competent Person's Report for mineral resources and reserves must be prepared in accordance with:

- the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code);
- the (Canadian) Standards of Disclosure for Mineral Projects, including Form 43-101F1 (NI 43-101); or
- the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007 edition) as amended from time to time (the SAMREC Code).

A Competent Person's Report for Petroleum Resources and Reserves must be prepared in accordance with the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007, as amended from time to time (PRMS).

The Exchange may allow presentation of reserves in accordance with other reporting standards, but will require reconciliation to one of the accepted Reporting Standards.

### Valuations

The new Hong Kong Listing Rules do not require a valuation report to be provided at the IPO stage. Valuation reports must however be included in the circular to shareholders where mineral or petroleum assets are acquired as part of a Major Acquisition (or above) (Main Board Rule 18.09(3)).

Where a valuation is prepared it must be prepared by a Competent Evaluator. In addition to meeting the requirements for a Competent Person, a Competent Evaluator must have: (i) at least 10 years' relevant mining or petroleum experience; (ii) at least 5 years' relevant experience in the assessment and/or valuation of mineral or petroleum assets or securities; and (iii) hold all necessary licences.

Valuations must be prepared in accordance with one of the following Codes:

- The Standards and Guidelines for Valuation of Mineral Properties endorsed by the Canadian Institute of Mining, Metallurgy and Petroleum, February 2003 (final version) as amended from time to time (**CIMVAL**);
- The South African Code for the Reporting of Mineral Asset Valuation (2008 edition) as amended from time to time (the **SAMVAL Code**); or
- The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Geoscientists and the Mineral Industry Consultants Association as amended from time to time (the **VALMIN Code**).

### Additional Disclosures for Pre-production Stage Companies

A listing applicant which has not yet commenced production will be required to disclose in its listing document its plans to proceed to production with indicative dates and costs. These plans must be supported by a Scoping Study which is defined as a “preliminary evaluation of a mineral project, including an assessment of the economic viability of mineral resources ... [and which] should include forecast production schedules and cost estimates based on data under which the resources can be identified.” The Scoping Study must be substantiated by the opinion of a Competent Person (Main Board Rule 18.06).

If exploration or extraction rights have not yet been obtained, any risks relevant to obtaining these rights must be prominently disclosed in the listing document.

If a Mineral Company is involved in the exploration for or extraction of resources, it must prominently disclose to investors that its resources may not ultimately be extracted at a profit.

### Additional Disclosures for Production Stage Companies

Mineral companies that have commenced production must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or petroleum produced (Main Board Rule 18.06). Applicants are required to set out the components of the following cash operating costs separately by category: (i) workforce employment; (ii) consumables; (iii) fuel, electricity, water and other services; (iv) on and off-site administration; (v) environmental protection and monitoring; (vi) transportation of workforce; (vii) product marketing and transport; (viii) non-income taxes, royalties and other governmental charges; and (ix) contingency allowances.

#### Requirements for Statements of Resources/Reserves

##### ***Presentation of data***

Data on resources and/or reserves presented in a listing document, a Competent Person's Report, a Valuation Report or annual report, must be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volume, tonnage and grades.

##### ***Requirements for statements of mineral resources/reserves***

Estimates of mineral reserves are required to be supported at least by a pre-feasibility study and estimates of mineral resources and reserves must be disclosed separately.

Indicated and Measured Resources must only be included in economic analyses if the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for the probabilities of their conversion to mineral reserves. All assumptions must be clearly stated. Valuations for Inferred Resources are not permitted.

The methods used to determine commodity prices used in pre-feasibility studies, feasibility studies and valuations of Indicated Resources, Measured Resources and Reserves must be clearly explained together with all material assumptions and the basis on which those prices represent reasonable views. If a contract for future prices of mineral reserves exists, the contract price must be used.

For forecast valuations of reserves and profit forecasts, sensitivity analyses to higher and lower prices should be supplied and all assumptions must be clearly disclosed.

##### ***Requirements for statements of petroleum resources/reserves***

Appendix 25 to the Main Board Listing Rules sets out the information that must be included in a Competent Person's Report for Mineral Companies involved in the exploration for and/or extraction of petroleum resources and reserves (Main Board Rule 18.20).

The information disclosed on mineral resources, reserves and/or exploration results must be disclosed either under PRMS as modified by Chapter 18 or under any other code which the Exchange accepts as providing a comparable standard of disclosure and sufficient assessment of the underlying assets.

The following additional requirements apply:

- i. if estimates of reserves are disclosed, the method and reason for choice of estimation must be disclosed (i.e. deterministic or probabilistic methods, as defined in PRMS). Where the probabilistic method is used, the underlying confidence levels applied must be stated;
- ii. if the net present values (**NPVs**) attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they should be presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%;
- iii. Proved Reserves and Proved plus Probable Reserves must be analysed separately and principal assumptions (including prices, costs, exchange rates and effective date) and the basis of the methodology should be clearly stated; and
- iv. if the NPVs attributable to Reserves are disclosed, they must be presented using a forecast price as a base case or using a constant price as a base case. The bases for the forecast case must be disclosed. The constant price is defined as the unweighted arithmetic average of the closing price on the first day of each month within the 12 months before the end of the reporting period, unless prices are defined by contractual arrangements. The basis on which the forecast price is considered reasonable must be disclosed and Mineral Companies must comply with Rule 18.30(5) regarding the provision of sensitivity analyses;
- v. if estimated volumes of Contingent Resources or Prospective Resources are disclosed, relevant risk factors must be clearly stated;
- vi. economic values must not be attached to Possible Reserves, Contingent Resources or Prospective Resources; and
- vii. where an estimate of future net revenue is disclosed, there must be prominent disclosure that the estimated values do not represent fair market value.

#### Additional Disclosure Requirements

Other matters which are required to be disclosed in the listing document include the following:

- i. the nature and extent of the company's prospecting, exploration, exploitation, land use and mining rights and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents. Details of material rights to be obtained must also be disclosed;
- ii. a statement of any legal claims or proceedings that may have an influence on the company's rights to explore or mine;

- iii. a statement of specific and general risks which should be prepared having regard to new Guidance Note 7 to the Main Board Rules on suggested risk assessment;
- iv. if relevant and material to the Mineral Company's business operations, information on the following:
  - (a) project risks arising from environmental, social, and health and safety issues;
  - (b) any non-governmental organisation impact on sustainability of mineral and/or exploration projects;
  - (c) compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;
  - (d) sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;
  - (e) environmental liabilities of its projects or properties;
  - (f) its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;
  - (g) its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and
  - (h) any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.

#### Disclaimers and Indemnities

A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which the Competent Person or Competent Evaluator relied upon other experts' opinions. Disclaimers cannot however apply to the report in its entirety.

Such reports must also prominently disclose details of all indemnities provided by the issuer. Indemnities for reliance placed on information provided by the issuer and third party experts are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.

Important note: this memorandum and the appendices thereto contain a summary only of certain requirements for listing on the Main Board of the Stock Exchange of Hong Kong. Their contents do not constitute legal advice and specific advice should be sought in relation to any particular situation.

## **JULY 2014**

*This note is provided for information purposes only and does not constitute legal advice. Specific advice should be sought in relation to any particular situation. This note has been prepared based on the laws and regulations in force at the date of this note which may be subsequently amended, modified, re-enacted, restated or replaced.*

## APPENDIX A

### The Salient Features of the Listing Rules of the Main Board

The following summary contains the salient features of the Listing Rules in respect of the listing of shares on the Main Board. It should therefore be read in conjunction with the full text of the Listing Rules.

Main Board	
<b>General</b>	
Theme of the market	<ul style="list-style-type: none"> <li>• Various, including capital formation for larger and more established companies able to meet the financial standards requirements</li> </ul>
Dual listing	<ul style="list-style-type: none"> <li>• Allow dual listing with different listing requirements for primary listing and secondary listing</li> </ul>
Target investors	<ul style="list-style-type: none"> <li>• The whole spectrum of investors</li> </ul>
Profit Test	<ul style="list-style-type: none"> <li>• For the profit test, profits of HK\$50m (HK\$20m in the most recent year and an aggregate of HK\$30m in the two preceding years) in the last 3 years</li> <li>• management continuity for at least 3 preceding financial years</li> <li>• ownership continuity and control for at least the most recent audited financial year</li> <li>• there are the alternative tests to the profit test</li> </ul>
Mineral Companies	<ul style="list-style-type: none"> <li>• A new applicant Mineral Company is required to have at least a portfolio of Indicated Resources or Contingent Resources that are identifiable under one of the accepted reporting standards and substantiated in the report of a Competent Person.</li> <li>• A new applicant Mineral Company must also be able to demonstrate that it has the right to actively participate in the exploration for and/or extraction of resources.</li> <li>• A new applicant Mineral Company that cannot satisfy the profit test, the market capitalisation/revenue/cash flow test or the market capitalisation/revenue test of Main Board Rule 8.05, may be accepted for listing if it establishes to the Exchange's satisfaction that its directors and senior management, taken together, have a minimum of 5 years' experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing.</li> </ul>
Alternative Tests	<p>The market capitalisation/revenue/cash flow test</p> <ul style="list-style-type: none"> <li>• a market capitalisation of at least HK\$2 billion at the time of listing</li> <li>• revenue of at least HK\$500 million for the most recent audited financial year</li> <li>• a positive cash flow from the issuer's operating activities that are to be listed of at least HK\$100 million in aggregate for the 3 preceding financial years.</li> <li>• management continuity for at least the 3 preceding financial years</li> <li>• ownership continuity and control for at least the most recent audited financial year</li> </ul> <p>The market capitalisation/revenue test (and waiver of the 3-year</p>

<b>Main Board</b>	
	<p>track record requirement)</p> <ul style="list-style-type: none"> <li>• market capitalisation of at least HK\$4 billion at the time of listing</li> <li>• revenue of at least HK\$500 million for the most recent audited financial year</li> <li>• ownership continuity and control for at least the most recent audited financial year</li> <li>• if the directors and management of the issuer have sufficient and satisfactory experience of at least 3 years in the issuer's line of business and industry and there is management continuity for the most recent audited financial year, the Exchange may accept a shorter trading record period under substantially the same management</li> </ul>
Active business carried on at subsidiary level	<ul style="list-style-type: none"> <li>• In practice, the Exchange will require an issuer to have control over its business</li> </ul>
Change of management, ownership or control during the track record period	<ul style="list-style-type: none"> <li>• Under the profit test and the market capitalisation/revenue/cash flow tests, the issuer must be under substantially the same management during the 3-year track record period</li> <li>• Under the market capitalisation/revenue test, the issuer must be under substantially the same management for at least the most recent audited financial year</li> </ul>
Competing businesses	<ul style="list-style-type: none"> <li>• Allows competing businesses of directors and controlling shareholders as long as full disclosure is made at the time of listing and (in the case of directors) on an on-going basis</li> </ul>
Minimum market capitalisation	<ul style="list-style-type: none"> <li>• Market capitalisation of HK\$500 million at the time of listing</li> </ul>
Minimum public float	<ul style="list-style-type: none"> <li>• 25% of the issued share capital (but can be lowered to 15% - 25% if the issuer's market capitalisation exceeds HK\$10 billion) held by public</li> <li>• at the time of listing, shares of at least HK\$125 million held by public</li> <li>• at least 300 public shareholders at the time of listing</li> <li>• not more than 50% of the public shares held by the largest three public shareholders at the time of listing</li> <li>• if there are 2 or more classes of shares, the class of shares for which listing is sought must not be less than 15% of the total issued capital, having an expected market capitalisation of not less than HK\$125 million at the time of listing</li> </ul>
<b>Role of Sponsors</b>	
In respect of IPOs	<p>Sponsors are required to comply with the Listing Rules (including the Practice Note on Due Diligence) and must give a declaration to the Exchange that:-</p> <ul style="list-style-type: none"> <li>• the applicant meets the conditions for listing</li> <li>• the information contained in the listing document is accurate and complete in all material respects and not misleading</li> <li>• the issuer's internal controls are adequate to enable the issuer to comply with its post-listing obligations</li> <li>• the directors have the requisite expertise, experience and understanding of the Listing Rules to manage the issuer's business and to ensure its compliance with the Listing Rules</li> </ul>
Role of the Compliance Adviser post-listing	to advise the issuer (i) before publication of any regulatory announcement, circular or financial report (ii) where a notifiable or connected transaction is contemplated (iii) where the issuer



	<b>Main Board</b>
	proposes to use the proceeds of the IPO other than as detailed in the listing document or where the business activities, developments or results of the issuer deviate from any forecast, estimate, or other information in the listing document and (iv) where the Exchange makes an inquiry of the issuer as to unusual movements in the price or trading volume of its securities
<b>Sponsor's eligibility</b>	
Professional or licensing requirements	Must be licensed or registered by the SFC to conduct sponsor work
Interests of sponsors	<ul style="list-style-type: none"> <li>If there is only one sponsor, that sponsor must be independent of the issuer in accordance with Rule 3A.07. In particular, the sponsor group and any director (or associate of a director) must not collectively hold &gt;5% of the issuer's issued share capital. Where there are 2 or more sponsors, at least 1 sponsor must be independent</li> </ul>
Obligations on sponsors of Mineral Companies	<ul style="list-style-type: none"> <li>The Rules impose an obligation on any sponsor appointed to or by a new applicant Mineral Company to ensure that the Competent Person or Competent Evaluator meets the requirements of Main Board Chapter 18.</li> </ul>
<b>Moratorium</b>	
In respect of controlling shareholders	<p>Any person which the prospectus shows to be a controlling shareholder must:</p> <ul style="list-style-type: none"> <li>not dispose of or otherwise create any options, rights, interests or encumbrances in respect of his interest in an issuer during the period from the date of disclosure of his shareholding in the prospectus to the date which is 6 months after the commencement of dealings in the issuer's securities on the Exchange;</li> <li>not dispose of or otherwise create any options, rights, interests or encumbrances in respect of his interest in an issuer if such disposal would result in him ceasing to be a controlling shareholder during the 6 month period commencing on the expiry of the period referred to above;</li> <li>immediately disclose any pledge of shares in an issuer in favour of an authorised institution and any proposed disposal of such pledged shares by the pledgee within the period from the date of the disclosure of his shareholding in the listing document to the date which is 12 months from the commencement of dealings in the securities</li> </ul>
In respect of listed issuers	<ul style="list-style-type: none"> <li>In general, cannot issue new shares in the first 6 months after listing</li> </ul>
<b>Continuing obligations of listed issuers</b>	
Disclosure of inside information	Part XIVA SFO creates a statutory obligation on issuers to disclose price sensitive information (called <b>inside information</b> in the SFO) as soon as reasonably practicable after the information has, or ought reasonably to have, come to the knowledge of an officer of the issuer. Failure to do so is an offence punishable by a fine of HK\$8 million and disqualification of a director/officer for 5 years.

<b>Main Board</b>	
Financial Disclosure	<p>Issuers are required to:</p> <ul style="list-style-type: none"> <li>• Publish annual reports and half-yearly reports within 4 months and 3 months, respectively after the end of the relevant financial period</li> <li>• Failure to publish the report on time will normally trigger suspension of trading in shares.</li> <li>• Quarterly reporting is not mandatory for Main Board issuers, although it is a recommended best practice under the Corporate Governance Code</li> </ul>
Material change in the nature of business	<ul style="list-style-type: none"> <li>• A material change in the nature of a business must be disclosed under the general disclosure obligation under Chapter 13 of the Listing Rules</li> <li>• Within the first 12 months after listing, an issuer cannot make any acquisition or disposal which would result in a fundamental change in its principal business activities as described in the listing document unless the circumstances are exceptional and prior independent shareholders' approve is obtained (controlling shareholders are required to abstain from voting)</li> </ul>
<b>Connected transactions</b>	
Disclosure requirements	<p>The Listing Rules contain stringent provisions governing connected transactions. Connected transactions include: (i) transactions between the listed issuer (and its subsidiaries) and connected persons (which are defined broadly) of the issuer and its subsidiaries and associates of such connected persons; and (ii) certain other transactions which are not entered into with a connected person. Connected transactions include transactions of a revenue nature and in the ordinary and usual course of business. A connected transaction may be subject to reporting, announcement and independent shareholders' approval requirements. There are a number of exemptions including the following de minimis exemptions for:</p> <p>(a) transactions on normal commercial terms where each of the percentage ratios (other than the profits ratio): (i) is less than 0.1%; (ii) is less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the issuer by virtue of his/its relationship with the issuer's subsidiary/subsidiaries; or (iii) is less than 5% and the total consideration is less than HK\$1m, are exempt from all the reporting, announcement and independent shareholders' approval requirements;</p> <p>(b) transactions on normal commercial terms where each of the percentage ratios (other than the profits ratio): (i) is less than 5%; or (ii) is less 25% and the total consideration is less than HK\$10m, are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement</p>
<b>Notifiable transactions</b>	
Threshold and disclosure requirements	<p>The principal requirements are:</p> <ul style="list-style-type: none"> <li>• There are five tests – assets ratio test, profits ratio test, revenue ratio test, consideration ratio test and equity capital ratio test</li> <li>• Classification of transactions depends on the resulting ratio</li> </ul>

	<p style="text-align: center;"><b>Main Board</b></p> <p>(arising from any of the five tests): for share transactions (less than 5%), discloseable transactions (more than 5%), major transactions (more than 25%), very substantial disposals (more than 75%) and very substantial acquisition transactions (more than 100%)</p> <ul style="list-style-type: none"> <li>• A discloseable transaction requires notification to the Exchange and an announcement</li> <li>• A major transaction requires notification to the Exchange, an announcement, a circular to shareholders and shareholders' approval or written shareholder certificate,</li> <li>• A very substantial disposal or acquisition requires notification to the Exchange, an announcement, a circular to shareholders and shareholders' approval obtained at a shareholders' general meeting (a written certificate is not acceptable). Also, the contents of the circular to shareholders would be very similar to a prospectus</li> <li>• A reverse takeover, meaning any acquisition or series of acquisitions of assets by an issuer which, in the Exchange's opinion, constitute an attempt to list the assets acquired while circumventing the Listing Rules' requirements for new listings. Reverse takeovers include transactions involving a change in control (30%) of an issuer and a very substantial acquisition (i.e. acquisition(s) where any percentage ratio is 100% or more) from the incoming controlling shareholder at the time of the change in control or within 24 months. A reverse takeovers will be treated as a new listing application and must be made conditional on independent shareholders' approval in addition to the requirements of a major transaction. The enlarged group or assets acquired must meet the conditions for listing and a listing document must be produced.</li> </ul>
<b>Corporate governance</b>	
Directors' dealing restrictions	<ul style="list-style-type: none"> <li>• Directors are required to observe the Model Code for Securities Transactions by Directors of Listed Companies at Appendix 10 to the Main Board Rules (the "Model Code"), which stipulates dealing restrictions</li> <li>• Para A.3 of the Model Code sets out a black-out period for directors' dealings in shares of the listed issuer which: (i) in the case of annual results, covers the period from 60 days prior to the publication date of the results until the date of publication or, if shorter, the period from the end of the financial year until the date of publication; and (ii) in the case of half-year results and quarterly results (if any) covers the period of 30 days immediately preceding the publication date of the results, or if shorter, the period from the end of the relevant financial period up to the publication date of the results.</li> </ul>

## APPENDIX B

### Comparison of the Salient Features of the Listing of Mineral Companies and Other General Companies

	General Companies	Mineral Companies
Professional Parties involved	<p>Sponsor – mainly coordinate the listing exercise and apply to the regulatory body on the company’s behalf</p> <p>Underwriters – mainly underwrite the share offer</p> <p>HK lawyers – mainly advise on the laws and regulations of HK, prepare documentation in connection with any restructuring and listing</p> <p>Sponsor’s lawyers – mainly conduct verification and draft underwriting agreement</p> <p>Accountants – mainly issue an accountants’ report pursuant to the Listing Rules</p> <p>Valuer – mainly evaluate the properties in which the issuer has an interest and issues a valuation report pursuant to the Listing Rules</p> <p>Registrar – holds the share register of the company and effects registration of shares</p> <p>Receiving Banker – receive the application monies and refund monies to unsuccessful applications of the public offer</p> <p>Printer – mainly responsible for printing of prospectus and announcement and doing translation</p> <p>PR Consultant – mainly coordinate the roadshow arrangements and press conference</p>	<p>In addition to the professional parties engaged by a general company, a Competent Person and a Competent Evaluator are also required. The main duty of the Competent Person is to issue a report with regard to the resources and reserves for inclusion in the listing document. The main duty of the Competent Evaluator is to issue a report with regard to the acquisition of mineral or petroleum assets as part of a Major Acquisition (or above).</p> <p>Any Sponsor appointed to or by a Mineral Company must ensure that the Competent Person or Competent Evaluator meets the requirements of Main Board Chapter 18.</p>






	General Companies	Mineral Companies
Profit track record requirements	<p>Unless it can satisfy the alternative tests (see Appendix A above), generally it must comply with:</p> <ul style="list-style-type: none"> <li>• For the profit test, profits of HK\$50m (HK\$20m in the most recent year and an aggregate of HK\$30m in the two preceding years) in the last 3 years</li> <li>• management continuity for at least 3 preceding financial years</li> <li>• ownership continuity and control for at least the most recent audited financial year</li> </ul>	<p>A new applicant Mineral Company that cannot satisfy the profit test, the market capitalisation/revenue/cash flow test or the market capitalisation/revenue test of Main Board Rule 8.05, may be accepted for listing if it establishes to the Exchange's satisfaction that its directors and senior management, taken together, have a minimum of 5 years' experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing.</p>
Contents of the prospectus	See Appendix A	<p>A report on its resources and reserves prepared by a Competent Person must be included.</p> <p>A valuation report prepared by a Competent Evaluator must be included in the circular to shareholders where mineral or petroleum assets are acquired as part of a Major Acquisition (or above).</p> <p>A listing applicant which has not yet commenced production will be required to disclose its plans to proceed to production with indicative dates and costs. If exploration or extraction rights have not yet been obtained, any risks relevant to obtaining these rights must be prominently disclosed. If a Mineral Company is involved in the exploration for or extraction of resources, it must prominently disclose to investors that its resources may not ultimately be extracted at a profit.</p> <p>Mineral Companies that have</p>





	General Companies	Mineral Companies
		<p>commenced production must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or petroleum produced.</p> <p>Additional disclosure requirements are set out in Rule 18.05 of the Listing Rules.</p> <p>A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which other experts' opinions were relied upon. Such reports must also prominently disclose details of all indemnities provided by the issuer.</p>
Other issues relevant to the listing of an overseas Mineral company	Depend on the business of the listing applicant	<ul style="list-style-type: none"> <li>• must comply with laws and regulations relating to the relevant industry and possess the necessary rights for active participation in exploration / exploitation of Natural Resources.</li> </ul>

## APPENDIX C

### Listing Process for Main Board

**The following chart summarises the process for a listing application for shares on the Main Board:**

Process	
<b>Appointment of Sponsors</b>	
<ul style="list-style-type: none"> <li>▪ Appointment of a sponsor at least 2 months before submission of an application and to notify the Exchange</li> </ul>	
	
<b>Submission of the Listing Application</b>	
<b>(no Chinese AP-Publication before 1st April 2014)</b>	
<ul style="list-style-type: none"> <li>▪ Submit listing application Form A1, Application Proof (AP) and all other relevant documents under Main Board Listing Rules 9.10A(1)</li> <li>▪ Information must be substantially complete</li> </ul>	
	
<b>3-Day Check</b>	
<b>(From 1 October 2013 - 30 September 2014)</b>	
<ul style="list-style-type: none"> <li>▪ From 1 October 2013 to 30 September 2014, the Exchange will conduct an initial check ("3-Day Check") with limited qualitative assessment on all AP-Vetting based on the prescribed checklist in Table B ("3-Day Checklist")</li> </ul>	
	
<b>Accepted</b>	<b>Returned</b>
	
<b>Detailed Vetting</b>	<b>Accelerated review process</b>
Qualitative assessment <ul style="list-style-type: none"> <li>▪ Eligibility</li> <li>▪ Suitability</li> <li>▪ Sustainability</li> <li>▪ Compliance with Listing Rules, Companies Ordinance and Securities and Futures Ordinance</li> <li>▪ Material disclosure deficiencies</li> </ul> Application may still be returned by SFC or HKEx for not being substantially complete	<ul style="list-style-type: none"> <li>▪ Available for reviewing the Listing Division's decision to return a listing application</li> <li>▪ Applicant and sponsor(s) has the right to have a Listing Division's decision to return an application ("Return Decision") and Listing Committee's decision that endorses the Return Decision reviewed</li> </ul>

<p><b>Timing of Comments</b></p> <ul style="list-style-type: none"> <li>▪ First round of comments - within <b>10 business days</b> from receipt of application</li> <li>▪ Second and further rounds of comments (if any) within <b>10 business days</b> from receipt of reply to previous comment letter</li> <li>▪ Expect replies from sponsor to be full and complete, otherwise the Exchange will not start to vet (e.g. will not accept replies such as “to be provided in due course”)(except updated financial information under Guidance Letter GL6-09A)</li> <li>▪ Competent persons report is reviewed by an external mining consultant selected from a panel. Although nearly all consultants agreed to the streamlined process, there may be cases where some delay may be expected</li> </ul> <p><b>Expected Hearing Timetable</b></p> <p>Depending on the sponsor’s response time and quality of response</p> <ul style="list-style-type: none"> <li>▪ Assumes sponsor takes 5 business days to respond to each of the two rounds of comments, an application can be presented to the Listing Committee in <b>around 40 business days</b> from the date of listing application</li> <li>▪ In the case where only one round of comment is raised and sponsor takes 5 business days to respond, an application can be brought to the Listing Committee in <b>around 25 business days</b></li> </ul> <p><i>From 1 April 2014 - Publication of AP-Publication</i></p>	<p>Two levels of review:</p> <ul style="list-style-type: none"> <li>▪ a review of the Return Decision by the Listing Committee</li> <li>▪ a review of a Listing Committee's decision endorsing a Return Decision by the Listing (Review) Committee</li> </ul>
	
<p><b>Hearing</b></p>	<p><b>8 weeks moratorium</b> <b>(after any accelerated review process)</b></p>
	
<p><b>Post-Hearing Information Pack (PHIP)</b></p> <ul style="list-style-type: none"> <li>▪ Please view the Guidance on logistical arrangements for publication of Application Proofs, Post Hearing Information Packs and related materials on the Exchange’s website for listing applicants</li> </ul>	
	
<p><b>Dealing of Shares Commences</b></p>	