Listing Mineral Companies in Hong Kong
Hong Kong – a leading international market

By market capitalisation, Hong Kong is the world’s 7th largest and Asia’s 3rd largest (after Japan & Shanghai) exchange.

In terms of IPO funds raised, Hong Kong ranked 3rd worldwide in 2014 (after NYSE and LSE Group) and in world’s top 5 for 13 consecutive years.

Source: Data from World Federation of Exchanges (as at end of 31 December 2014). Figures for the London Stock Exchange Group include those of Borsa Italiana.
Why List in Hong Kong?

- No. 1 International Financial Centre in Asia
- Access to Mainland Chinese investors currently through Qualified Domestic Institutional Investor programme
- Shanghai-Hong Kong Stock Connect launched in November 2014 allows Mainland Chinese investors to invest directly in HK listed stocks for the 1st time. Programme helps broaden investor base and add liquidity to HK market adding momentum to the market

**IPO Fund Raised 2014 (US$bn)**

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Fund Raised (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYSE</td>
<td>66.5</td>
</tr>
<tr>
<td>LSE Group (UK and Italy)</td>
<td>29.4</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>29.4</td>
</tr>
<tr>
<td>NASDAQ OMX</td>
<td>22.8</td>
</tr>
<tr>
<td>Australia</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Source: World Federation of Exchange (WFE) website
World Top Five in IPO Funds Raised

- Ranked top 5 globally for 13th year in a row since 2002
- Active secondary market

Source: Hong Kong Exchanges and Clearing Limited
# Ten Largest IPO on the HKEx

<table>
<thead>
<tr>
<th>Company name</th>
<th>Industry</th>
<th>IPO funds raised (HK$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. AIA Group Ltd.</td>
<td>Financials</td>
<td>159.08</td>
</tr>
<tr>
<td>2. Industrial and Commercial Bank of China Ltd. - H Shares</td>
<td>Financials</td>
<td>124.95</td>
</tr>
<tr>
<td>3. Agricultural Bank of China Ltd. - H Shares</td>
<td>Financials</td>
<td>93.52</td>
</tr>
<tr>
<td>4. Bank of China Ltd. - H Shares</td>
<td>Financials</td>
<td>86.74</td>
</tr>
<tr>
<td>5. Glencore plc</td>
<td>Resources</td>
<td>77.75</td>
</tr>
<tr>
<td>6. China Construction Bank Corporation - H Shares</td>
<td>Financials</td>
<td>71.58</td>
</tr>
<tr>
<td>7. China Unicom Ltd.</td>
<td>Telecommunications</td>
<td>43.61</td>
</tr>
<tr>
<td>8. China CITIC Bank Corporation Ltd. - H Shares</td>
<td>Financials</td>
<td>32.92</td>
</tr>
<tr>
<td>9. China Mobile Ltd.</td>
<td>Telecommunications</td>
<td>32.67</td>
</tr>
<tr>
<td>10. China Minsheng Banking Corp., Ltd. - H Shares</td>
<td>Financials</td>
<td>31.23</td>
</tr>
</tbody>
</table>

*Source: Hong Kong Exchanges and Clearing Limited*
<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Industry</th>
<th>IPO Funds Raised (HK$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dalian Wanda Commercial Properties Co., Ltd. - H Shares</td>
<td>Properties &amp; construction</td>
<td>28.80</td>
</tr>
<tr>
<td>2</td>
<td>CGN Power Co., Ltd. - H Shares</td>
<td>Utilities</td>
<td>28.21</td>
</tr>
<tr>
<td>3</td>
<td>HK Electric Investments and HK Electric Investments Ltd. -SS</td>
<td>Utilities</td>
<td>24.13</td>
</tr>
<tr>
<td>4</td>
<td>WH Group Ltd.</td>
<td>Consumer goods</td>
<td>18.31</td>
</tr>
<tr>
<td>5</td>
<td>BAIC Motor Corporation Ltd. - H Shares</td>
<td>Consumer goods</td>
<td>11.03</td>
</tr>
<tr>
<td>6</td>
<td>Shengjing Bank Co., Ltd. - H Shares</td>
<td>Financials</td>
<td>10.40</td>
</tr>
<tr>
<td>7</td>
<td>China CNR Corporation Ltd. - H Shares</td>
<td>Industrials</td>
<td>10.03</td>
</tr>
<tr>
<td>8</td>
<td>Harbin Bank Co., Ltd. - H Shares</td>
<td>Financials</td>
<td>8.77</td>
</tr>
<tr>
<td>9</td>
<td>Luye Pharma Group Ltd.</td>
<td>Healthcare</td>
<td>6.81</td>
</tr>
<tr>
<td>10</td>
<td>Tianhe Chemicals Group Ltd.</td>
<td>Materials</td>
<td>5.80</td>
</tr>
</tbody>
</table>

Source: Hong Kong Exchanges and Clearing Limited
## Gateway to Mainland China

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>Total</th>
<th>Mainland Enterprise</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 31 December 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of listed companies</td>
<td>Number</td>
<td>1,752</td>
<td>876</td>
<td>50%</td>
</tr>
<tr>
<td>Market capitalisation</td>
<td>HK$bn</td>
<td>25,072</td>
<td>15,078</td>
<td>60%</td>
</tr>
<tr>
<td><strong>As of 31 December 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity funds raised</td>
<td>HK$bn</td>
<td>935.8</td>
<td>693.9</td>
<td>74%</td>
</tr>
<tr>
<td>- IPO funds raised</td>
<td>HK$bn</td>
<td>227.7</td>
<td>195.1</td>
<td>86%</td>
</tr>
<tr>
<td>- Post IPO funds raised</td>
<td>HK$bn</td>
<td>708.1</td>
<td>498.8</td>
<td>71%</td>
</tr>
<tr>
<td>Average daily equity turnover</td>
<td>HK$bn</td>
<td>51.2</td>
<td>36.2</td>
<td>71%</td>
</tr>
</tbody>
</table>

Source: Hong Kong Exchanges and Clearing Limited
Strong Market Liquidity

Average daily market turnover

(HK$ m)

Source: Hong Kong Exchanges and Clearing Limited
International Companies Increasingly Choose to List in Hong Kong

By Numbers

- Increasing number of international companies continue to list in Hong Kong
- 2008 - 2011: the listing of international companies almost doubled

Source: Hong Kong Exchanges and Clearing Limited
Selected International Listings

- AIP, USD20.4 bn, US
- COACH, By Introduction, US
- GLENCORE, USD10.2 bn*, Switzerland
- L’OCCITANE, USD783 m, France
- MGM, USD1.6 bn, US
- Mongolian Mining Corp, USD745 m, Mongolia
- PRADA, USD2.5 bn, Italy
- PRUDENTIAL, By Introduction, UK
- RUSAL, USD2.2 bn, Russia
- Samsonite, US$1.3 bil, Luxembourg
- VALE, By Introduction, Brazil
- Vale, USD1.9 bn, US

Source: Hong Kong Exchanges and Clearing Limited
Key Drivers for International Listings

- P/Es (price-earnings ratios) often higher in Hong Kong than their comparatives in other markets.
- Deep primary and secondary market liquidity.
- China Nexus:
  - Offers companies exposure in Mainland China, the world’s 2nd largest economy – particularly important for luxury goods.
  - Mainland Chinese investors currently can invest in HK stock market only through QDII (Qualified Domestic Institutional Investor scheme) – currently account for approx. 5% of turnover.
  - Importance of Mainland investors expected to grow with increasing internationalisation of RMB and increased investment choice for Mainland investors.
- Established legal system based on English common law and international accounting standards.
- Transparent and efficient listing regime.
- No capital flow restrictions, numerous tax advantages, currency convertability and free transferability of securities.
Selected Secondary Listings on HKEx

Source: Hong Kong Exchanges and Clearing Limited
# Secondary Listing on HKEx

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Country of Incorporation</th>
<th>Listing Date on HKEx</th>
<th>Primary Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manulife Financial</td>
<td>Canada</td>
<td>27 Sep 1999</td>
<td>Toronto</td>
</tr>
<tr>
<td>SouthGobi Resources</td>
<td>Canada</td>
<td>29 Jan 2010</td>
<td>Toronto</td>
</tr>
<tr>
<td>Midas Holding</td>
<td>Singapore</td>
<td>6 Oct 2010</td>
<td>Singapore</td>
</tr>
<tr>
<td>Vale S.A.</td>
<td>Brazil</td>
<td>8 Dec 2010</td>
<td>Brazil</td>
</tr>
<tr>
<td>SBI Holdings</td>
<td>Japan</td>
<td>14 Apr 2011</td>
<td>Tokyo &amp; Osaka</td>
</tr>
<tr>
<td>Glencore International</td>
<td>Jersey</td>
<td>25 May 2011</td>
<td>London</td>
</tr>
<tr>
<td>Kazakhmys</td>
<td>England &amp; Wales</td>
<td>29 Jun 2011</td>
<td>London</td>
</tr>
<tr>
<td>CapitaMalls Asia</td>
<td>Singapore</td>
<td>18 Oct 2011</td>
<td>Singapore</td>
</tr>
</tbody>
</table>
Diversified International Investor Base

Note: Numbers may not add up to 100% due to rounding

Source: HKEx Cash Market Transaction Survey 2010-2011
Key Area – Mining and Natural Resources Sector

- Key HKEx objective: development of HKEx as an international market for mining companies to list and raise funds.
- China is key consumer of mining commodities whose growth spurring huge increase in mineral demand.
- Overseas resources companies attracted by valuations premium and deep capital pool.
- Currently over 150 companies listed on HKEx are pure play metals and mining or energy companies.
- Another 100 or so have mineral or oil and gas assets or are somehow exposed to the industry.
- The market capitalisation of resource sector companies on HKEx increased x 30 since 1999.
- Numbers growing due to increasing number of natural resource companies listing in Hong Kong and significant M & A activity.
- New HKEx Listing Rules for Mining and Natural Resource Companies introduced June 2010.

Source: Hong Kong Exchanges and Clearing Limited
Mining and Natural Resources Sector

"Hong Kong will become the largest mining finance market in the world," - Robert Friedland, executive chairman of Ivanhoe Mines speech at the Mines and Money Conference (Hong Kong 2010).

- **United Company Rusal PLC** – world’s largest aluminium producer - listed in January 2010 on HKEx and Euronext Paris, although HKEx accounts for 91% of trading volume.

- **Mongolian Mining Corp.** – producer of coal used in steel production, listed in October 2010 raising US$746 million.
Increasing Trend for Secondary Listings on HKEx

- **Brazil’s Vale S.A.** – the world’s largest iron ore producer listed on HKEx by way of secondary listing (no new fund raise) in December 2010 – rationale for HK listing – to obtain more investment from Asia and particularly China – accounting for 50% of its sales.

- **South Gobi Energy Resources** – Mongolia-based coal mining company (owned by Canadian Ivanhoe Mines) and listed on Toronto Stock Exchange raised US$439 million – trading apparently increased x 5 after its HK listing due to international exposure gained.

- **Kazakhmys PLC** – UK incorporated Kazakhstan copper miner – listed by way of secondary listing in 2011 – reasons for HK listing include closer relations with Chinese investors – China accounting for approx. 48% of its sales.

- **Glencore International Plc** – Swiss-based commodities trader – raised US$10 bn in IPO on HK and London exchanges in May 2011 – HK listing was a secondary listing.

According to HKEx, interest seen from iron ore, coal and gold companies from Australia, Canada, Kazakhstan and Mongolia.
Hong Kong’s Markets

- **Main Board** – caters for established companies able to meet its profit or other financial requirements.

- **Growth Enterprise Markets (“GEM”)** – a second board for smaller growth companies. Has lower admission criteria and provides a stepping stone to Main Board listing.
Overseas Companies: Eligibility for Listing

- Attracting more overseas companies to list in Hong Kong is one of the Exchange’s key policy initiatives.

- The Main Board and GEM Listing Rules allow the listing of companies incorporated in Hong Kong, China, Bermuda and the Cayman Islands (the “Recognised Jurisdictions”)

- Companies incorporated in other jurisdictions may list on the Exchange if they can demonstrate to the Exchange that their jurisdiction of incorporation has standards of shareholder protection which are at least equivalent to those provided in Hong Kong.

- Secondary listings are permitted on the Main Board (but not GEM) if the exchange of the applicant’s primary listing provides standards of shareholder protection equivalent to those provided in Hong Kong.
In order to be eligible to list in Hong Kong, companies not incorporated in a Recognised Jurisdiction must either establish that their jurisdictions of incorporation provide comparable standards of shareholder protection to Hong Kong or amend their constitutional documents to provide the required standards of shareholder protection.

The key shareholder protection standards required are set out in the Joint Policy Statement Regarding the Listing of Overseas Companies issued by HKEx and the SFC, which was updated on 27 September 2013 (the “Joint Policy Statement”).

The HKEx has approved 21 jurisdictions as acceptable places of incorporation (the “Acceptable Jurisdictions”). These are Australia, Brazil, the British Virgin Islands, Canada (Alberta), Canada (British Columbia), Canada (Ontario), Cyprus, France, Germany, Guernsey, the Isle of Man, Italy, Japan, Jersey, Republic of Korea, Labuan, Luxembourg, Singapore, the United Kingdom, the States of California and Delaware in the United States.
Overseas Companies: Eligibility for Listing

- Guidance on meeting the required standards of shareholder protection for each Acceptable Jurisdiction is currently set out in the listing decision which approved the relevant jurisdiction. HKEx proposes to issue a Country Guide for each Acceptable Jurisdiction before the end of 2013 which will incorporate this guidance and replace the relevant listing decision. Companies incorporated in an Acceptable Jurisdiction should refer to these documents.

- If a company is **not** incorporated in a Recognised Jurisdiction, the Joint Policy Statement also requires that the statutory securities regulator of the overseas company’s jurisdiction of incorporation **and** place of central management and control (if different) must:
  - be a full signatory of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information; or
  - have entered into a bilateral agreement with the SFC to provide for mutual assistance and exchange of information for the purpose of enforcing and securing compliance with the laws and regulations of the relevant jurisdiction and Hong Kong. The HKEx may exempt certain companies from this requirement, subject to the SFC’s consent.
Factors which the HKEx takes into account in determining an overseas company’s place of central management and control are:

- where its senior management direct, control and coordinate the company’s activities;
- where its principal books and records are kept; and
- where its business operations or assets are located.
# Principal Listing Requirements

<table>
<thead>
<tr>
<th>Operating History and Management</th>
<th>Main Board</th>
<th>GEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Main Board applicant must have a trading record of not less than 3 financial years with:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. management continuity for at least the 3 preceding financial years; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. ownership continuity and control for at least the most recent audited financial year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exception:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under the market capitalization/revenue test, the Exchange may accept a shorter trading record period under substantially the same management if the new applicant can demonstrate that:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. its directors and management have sufficient and satisfactory experience of at least 3 years in the line of business and industry of the new applicant; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. management continuity for the most recent audited financial year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A GEM applicant must have a trading record of at least 2 full financial years with:

a. substantially the same management for the 2 preceding financial years; and

b. continuity of ownership and control for the preceding full financial year.
Principal Listing Requirements (Cont’d)

<table>
<thead>
<tr>
<th>Financial Tests</th>
<th>Main Board</th>
<th>GEM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Profit Test</td>
<td>Profit in respect of the most recent financial year of not less than HK$20,000,000 and, in respect of the two preceding years, be in aggregate of not less than HK$30,000,000</td>
<td>–</td>
</tr>
<tr>
<td>2. Market Cap/Revenue Test</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3. Market Cap/Revenue / Cash flow Test</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Market Cap</strong></td>
<td>At least HK$200 million (US$26 million) at the time of listing</td>
<td>At least HK$4 billion (US$515 million) at the time of listing</td>
</tr>
</tbody>
</table>

A GEM applicant must have:

a. positive cash flow from operating activities of >HK$20 million (US$2.6 million) in aggregate for the 2 preceding financial years; and

b. market cap of >HK$100 million (US$13 million) at the time of listing.
## Principal Listing Requirements (Cont’d)

<table>
<thead>
<tr>
<th>Financial Tests</th>
<th>Main Board</th>
<th>GEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicants must meet one of 3 financial tests below:</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1. Profit Test</strong></td>
<td></td>
<td>A GEM applicant must have:</td>
</tr>
<tr>
<td><strong>2. Market Cap/Revenue Test</strong></td>
<td></td>
<td>a. positive cash flow from operating activities of &gt;HK$20 million (US$2.6 million) in aggregate for the 2 preceding financial years; and</td>
</tr>
<tr>
<td><strong>3. Market Cap/Revenue / Cash flow Test</strong></td>
<td></td>
<td>b. market cap of &gt;HK$100 million (US$13 million) at the time of listing.</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>–</td>
<td>At least HK$500 million (US$64 million) for the most recent audited financial year</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow</strong></td>
<td>–</td>
<td>Positive cash flow from operating activities of at least HK$100 million (US$13 million) in aggregate for the 3 preceding financial years</td>
</tr>
</tbody>
</table>
## Principal Listing Requirements (Cont’d)

<table>
<thead>
<tr>
<th></th>
<th>Main Board</th>
<th>GEM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Float</strong></td>
<td>At least 25% of the issuer’s total issued share capital must be held by the public at all times.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The market capitalisation at the time of listing of the publicly held shares must be at least HK$50 million (US$6.4 million) (for Main Board issuers) and HK$30 million (US$3.8 million) (for GEM issuers).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Exchange has a discretion to accept a lower percentage of between 15% and 25% for issuers with an expected market capitalisation at the time of listing of over HK$10 billion (US$1.3 billion).</td>
<td></td>
</tr>
<tr>
<td><strong>Spread of Shareholders</strong></td>
<td>There must be a minimum of 300 public shareholders at the time of listing</td>
<td>There must be at least 100 public shareholders (which can include employee shareholders) at the time of listing.</td>
</tr>
<tr>
<td></td>
<td>At the time of listing, not more than 50% of the publicly held securities can be beneficially owned by the 3 largest public shareholders</td>
<td></td>
</tr>
</tbody>
</table>
Other Listing Requirements

- **Accountants’ Report**: A listing document must include an accountant report on the financial information for the track record period. The latest period reported on must end no more than 6 months before the date of the listing document.

- **Independent non-Executive Directors**: Must be at least 3: one must have appropriate professional qualifications or accounting or related financial management expertise. From 31 December 2012, INEDs must make up at least 1/3 of the Board.

- **Authorised Representatives**: Must be at least 2: either 2 directors or a director and the company secretary.

- **Share Registrar**: Issuer must employ an approved share registrar in HK to maintain register of members.

- **Audit Committee**: Must be made up of non-executive directors only; have 3 or more members; one must have appropriate professional qualifications or accounting or related financial management expertise; majority of members must be INEDs.

- **Remuneration Committee**: Majority of members (incl. Chairman) must be INEDs.

- **Process Agent for Overseas Issuer**: An overseas company must appoint a person authorised to accept service of process and notices on its behalf in Hong Kong.

- **Compliance Adviser**: Newly listed companies must appoint a Compliance Adviser for the period starting on the listing date and ending on the date of publication of results for the first full financial year commencing after listing (for MB issuers) and on the date of publication of results for the second full financial year commencing after listing (for GEM issuers).

- **Compliance Officer (for GEM issuers only)**: GEM issuers must appoint one of their executive directors as a compliance officer.
# Documents Required to be Submitted in Support of a MB Listing Application

| 1 | Documents as per LR 9.11(1) to 9.11(17c) | 2 | 4 Clear days before LC hearing date: Documents as per under LR 9.11(18) to 9.11(23) | 3 | As soon as practicable after the hearing of the application by the LC, but on or before the date of issue of the listing document submission of the documents as per LR’s 9.11(29) to 9.11(32) | 4 | Before bulk printing Documents as per LR 9.11(24) to 9.11(28) | 5 | By no later than 11 a.m. on the intended day of authorization of the prospectus, lodging of documents as per LR 9.11(33) (In case of a listing document which constitutes a prospectus under the CO) | 6 | After the issue of the prospectus but before dealings commence, lodging of documents as per LR9.11(34) to 9.11(38) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| • AP’s as required by HKEx and 2 CD-ROMs | • final proof of the listing document as required by the HKEx together with 2 CD-ROM | • dated and signed copy of each of the English and the Chinese language versions of the listing document | • final proof of the formal notice, (where applicable) and application forms, and statement re sufficiency of working capital | • application for authorisation for registration of the prospectus under section 38D(3) or section 342C(3) of the CO | • certified copies of the resolution(s) of the new applicant in general meeting (if any) authorising the issue of all securities and resolution(s) of the board of directors delegating powers |
| • sponsor’s undertaking and statement of independence | • confirmation from the new applicant’s legal advisers that the new applicant’s articles of association are not inconsistent with the LR | • copy of the formal notice, where applicable | • 2 printed copies of the prospectus, duly signed in accordance with section 38D(3) or section 342C(3) of the CO | • 2 printed copies of the placing letter (where applicable) | • copy of the placing letter (where applicable) |
| • compliance adviser’s undertaking | • a certified copy of the signed deposit agreement (if applicable) | • a copy of the written notification issued by HKSCC stating the securities will be Eligible Securities | • certificate issued by translator | • sponsor’s declaration (Form E) | • sponsor’s declaration (Form E) |
| • advanced draft of requests for waiver from LR’s and Companies Ordinance (“CO”) | • unless previously provided, all executed requests for waiver from the requirements of the LR and the provisions of CO | • every written undertaking and confirmation from the new applicant, its shareholders and/or other relevant parties to the HKEx referred to in the listing document | • director’s declarations (Form F and B/H/I as applicable) | • original signed sponsor declaration(s) required by rule 3A.13 | • director’s declarations (Form F and B/H/I as applicable) |
| • directors’/supervisors’ confirmations relating to:- | • a certified copy of the new applicant’s certificate of incorporation | • original signed sponsor declaration(s) submitted to support the listing application | | | |
| – accuracy of information contained in AP | • sponsor’s letter re working capital | | | | |
| – accuracy directors’/supervisors’ biographical details | • any other document required by the HKEx to support the listing | | | | |
| – updating the HKEx re changes to directors’/supervisors’ biographical details | | | | | |
| – declaration in Form B/H/I | | | | | |
| If AP contains an accountants’ report, an advanced draft of any statement of adjustments relating to the accountants’ report | | | | | |
IPO timeline

- "Substantially complete" Application Proof with Form A1 and a timetable
- Initial listing fee
- Documents as per LR 9.11(1) to 9.11(17c)
- Expert confirmations of no material change expected

- Drafting prospectus and other documents
- Verification
- All due diligence (except that which can only be performed at a later date)
- Notification to HKEx re appointment of sponsors (not less than 2 months before A1)

2 WEEKS – 1 MONTH

AP Accepted

CL 1
CL 2
Notice

On receipt of post hearing letter and directors’ conclusions and request to post PHP

LC Hearing
LC Approval
Submission of PHP

Bulk Printing

Before bulk printing Documents as per LR 9.11(24) to 9.11(28)

Trading Commences

As soon as practicable after the hearing of the application by the LC, but on or before the date of issue of the listing document submission of the documents as per LR’s 9.11(29) to 9.11(32)

25 - 40 DAYS

By no later than 11 a.m. on the intended day of authorization of the prospectus, lodgment of documents as per LR 9.11(33)

After the issue of the prospectus but before dealings commence, lodgment of documents as per LR9.11(34) to 9.11(38)

1 DAY

Re-org
All Parties Meeting

Listing Application (A1) & Publication

Initial Submission

A1
Form A1 in Appendix 5 to the Main Board Listing Rules) with a timetable

AP
Application Proof

CL1
Comment letter 1 – within 10 days of receipt of AP

CL2
Comment letter 2 (if any) – WITHIN 10 days of replies to CL1

LC
Listing Committee

LR
Listing Rules of the Main Board of the HKEx

Notice
Notice to hearing

PHP
Post Hearing Information Pack

UW
Underwriting Agreement

Charltons 易周律师行
Listing Rules for Mineral Companies

Came into effect on 3 June 2010.

- **Mineral Company** is a new listing applicant whose “major activity (whether directly or through its subsidiaries) is the exploration for and/or extraction of natural resources (including minerals and petroleum).”

- **Major activity** is an activity representing 25% or more of total assets, revenue or operating expenses.
Listing Rules for Mineral Companies (Cont’d)

Came into effect on 3 June 2010.

- Listing Requirements
  - **Must have at least discovered** a portfolio of Indicated Resources (for minerals) or Contingent Resources (for petroleum) under applicable reporting standards “of sufficient substance” to justify a listing (MB Rule 18.03 (2) / GEM Rule 18A.03 (2)). Early stage exploration companies are not acceptable for listing.

  - **Must have rights to actively participate** in exploration and/or extraction through either (i) an interest of >50% of assets (by value) or (ii) rights acceptable to HKEx giving it sufficient influence in decisions (e.g. under joint ventures, production sharing contracts or specific government mandates) (MB Rule 18.03 (1) / GEM Rule 18A.03 (1)). HKEx normally expects an interest of >30% in relevant assets. Companies with interest of <30% may be considered, e.g. if they actively operate mining project.
Listed Rules for Mineral Companies (Cont’d)

Came into effect on 3 June 2010.

- **Listing Requirements (cont’d)**
  - Either meet the Main Board financial tests and track record requirement or senior management and directors taken together have minimum of 5 years’ experience relevant to exploration and or extraction activity pursued by applicant (MB Rule 18.04)
  - A pre-production stage company seeking a waiver of Main Board financial tests/track record requirement will need to show a clear path to commercial production. Companies already in production that cannot meet the profit requirements are unlikely to be considered favourably unless they have development activity on hand and can show a path to commercial production.
Listing Rules for Mineral Companies (Cont’d)

Came into effect on 3 June 2010.

- **Listing Requirements (cont’d)**
  - For GEM listings, HKEx may waive 2-year trading record requirement if senior management and directors together have a minimum of 5 years’ relevant experience, but HK$20 million cash flow requirement must be met for shorter period (GEM Rule 18A.04).
  - Sufficient working capital for 125% of budgeted needs for the next 12 months (MB Rule 18.03 (4) / GEM Rules 18A.03 (4)).
Disclosure Requirements for New Applicant’s Listing Document

MB Rules 18.05 – 18.08 / GEM Rules 18A.05 – 18A.08 set out the required disclosures, including:

- A Competent Person’s Report on reserves and resources.
- Details of all prospecting, exploration, exploitation, land use and mining rights, and details of material rights to be obtained.
- Specific and general risks (Main Board Guidance Note 7 / GEM Practice Note 4 provide suggested risk assessment for mineral companies)
- Disclosure on social and environment considerations, if relevant and material.
- For those not yet in production, plans to production with indicative dates and costs supported at least by a Scoping Study.
- Production stage companies must disclose estimate operating cash cost per unit of minerals or petroleum.
Requirement for Competent Person’s Report

- A new applicant’s listing document must include a technical report or Competent Person’s Report on its reserves and resources.

- A Competent Person must:
  - Have > 5 years’ experience relevant to the type of mineral/petroleum assets and to the mining activity undertaken by the listing applicant;
  - Be professionally qualified and a member of a Recognised Professional Organisation; and
  - Be independent of the listing applicant


- Competent Person’s Report (CPR) must be prepared in accordance with the JORC Code, NI 43-101 or the SAMREC Code (for mineral reserves and resources) or PRMS (for petroleum reserves and resources).
Requirement for Competent Person’s Report (cont’d)

- If information is presented in accordance with other reporting standards (e.g. Chinese or Russian), reconciliation to the accepted reporting standards is required.
- CPR must have an effective date < 6 months before the date of the listing document;
- Listing document must contain a statement of no material change since effective date of CPR or description of material changes.
- Content requirements of a CPR for petroleum are set out in MB Appendix 25/GEM Appendix 18.
Requirements for Valuation Report

- Valuation is not mandatory at IPO (although valuation is required for post-listing acquisitions of mineral/petroleum assets requiring shareholders’ approval).
- Valuations must be prepared by **Competent Evaluators** who must be Competent Persons and have (i) >10 years’ relevant and recent general mineral/petroleum experience and (ii) >5 years’ relevant and recent experience in assessing and/or valuing mineral or petroleum assets.
- Valuation must be prepared in accordance with the VALMIN Code, CIMVAL or SAMVAL Code and must disclose basis of valuation, assumptions and reasons for selection of valuation method.
**Mineral Reporting**

- For CPR on mineral reserves and/or resources, issuer must also satisfy the modifications under MB Rule 18.30 / GEM Rule 18A.30:
  - Estimates of mineral reserves are supported, at a minimum, by a pre-feasibility study.
  - Estimates of mineral reserves and resources must be disclosed separately.
  - Indicated and measured resources can be included in economic analyses but basis on which they are economically extractable and the discount for conversion to mineral Reserves must be disclosed.
  - Valuation for inferred resources are not permitted.
  - For profit forecasts and forward looking valuations, the basis for commodity prices and material assumptions must be including, as well as sensitivity analyses on price.
Mineral Reporting (cont’d)

For CPR on petroleum reserves and/or reserves, issuers must also satisfy the modifications under MB Rule 18.33 / GEM Rule 18A.33:

- Method and reason for choice of estimation of petroleum reserves must be disclosed (i.e. deterministic or probabilistic).
- If NPVs attributable to proved and proved plus probable reserves are disclosed, they are presented:
  - On a post-tax basis at varying discount rates or a fixed discount rate of 10%.
  - Using a forecast price or a constant price as base case.
- Economic values must not be attached to possible reserves, contingent resources or prospective resources.
Continuing Obligations

Mineral Companies’ Acquisitions of Mineral/Petroleum Assets

Where a Mineral Company proposes to acquire assets which are solely or mainly mineral or petroleum assets as part of a major transaction (i.e. 25% or more of existing activities) or above, the circular must:

- Comply with the notifiable transaction requirements of MB Chapter 14/GEM Chapter 19 and, if applicable, the connected transaction requirements of MB Chapter 14A/GEM Chapter 20

- Include a Competent Person’s Report on the resources and/or reserves being disposed of (MB Rule 18.09 (2) /GEM Rule 18A.09 (2)).

- Contain details of any material liabilities that remain with the issuer after disposal (Note to MB Rule 18.09 (4) / GEM Rule 18A.09 (4)).

Note: HKEx may dispense with the requirement for a CPR on disposals where shareholders have sufficient information on the assets being disposed of. (Note to MB Rule 18.09 (2) /GEM Rule 18A.09 (2))
Continuing Obligations

Mineral Companies’ Acquisitions of Mineral/Petroleum Assets (cont’d)

Where a Mineral Company proposes to acquire assets which are solely or mainly mineral or petroleum assets as part of a major transaction (i.e. 25% or more of existing activities) or above, the circular must:

- Contain a statement of no material change or descriptions of material changes since the effective date of the Competent Person’s Report (MB Rule 18.05 (2) / GEM Rule 18A.05 (2)).
- Include a Valuation Report on the mineral or petroleum assets being acquired (MB Rule 18.09 (3) / GEM Rule 18A.09 (3)).
- Disclose specific and general risks (MB Rule 18.05 (5) / GEM Rule 18A.05 (5)).
- Disclose other relevant and material information (MB Rule 18.05 (3), (4) & (6) / GEM Rule 18A.05 (3), (4) & (6)).
Continuing Obligations

Mineral Companies’ Acquisitions of Mineral/Petroleum Assets (cont’d)

Note: Where an asset is acquired from a company which already has an independent CPR/Valuation Report, the issuer may use those reports if:

- The report is no more than 6 months old and complies with the required reporting standards,
- The issuer includes in the circular/listing document a statement of no material change since the effective date of the report; and
- The issuer obtains the prior written consent of the Competent Person or Competent Evaluator to the inclusion of its report in the circular/listing document

Listing Rules for Mineral Companies (Cont’d)

Continuing Obligations

Reporting Requirements

- Annual update of reserves and resources in annual reports in accordance with the reporting standard under which they were previously disclosed accepted. Need NOT be done by Competent Persons, but must be substantiated by the issuer’s internal expert. Statements of no material change acceptable (MB Rule 18.16 / GEM Rule 18A.16; Note to MB Rule 18.17 / GEM Rule 18A.17).

- Annual and half-year financial reports must include details of exploration, development and mining production and expenditure incurred (MB Rule 18.14 / GEM Rule 18A.14).
The team is composed of individuals with the following knowledge and skills:

- A detailed knowledge of Hong Kong law and practice in relation to IPOs and equity fund raising transactions of public companies.

- Extensive experience of providing legal services for Hong Kong and PRC-related IPO transactions.

- In depth knowledge of the Listing Rules of both GEM and the Main Board of the Hong Kong Stock Exchange.

- Depth and range of experience in advising companies in connection with IPO and Listing transactions.
Charltons’ extensive experience in corporate finance makes us uniquely qualified to provide a first class legal service.

Charltons have representative offices in Shanghai, Beijing and Yangon.

Charltons was named the “Corporate Finance Law Firm of the Year in Hong Kong” in the Corporate Intl Magazine Global Award 2014.


“Hong Kong’s Top Independent Law Firm” was awarded to Charltons in the Euromoney Legal Media Group Asia Women in Business Law Awards 2012 and 2013.

“Equity Market Deal of the Year” was awarded to Charltons in 2011 by Asian Legal Business for advising on the AIA IPO.
Excellent links and networks with law firms worldwide.


“Asian Restructuring Deal of the Year” 2000 awarded to Charltons by International Financial Law Review for their work with Guangdong Investment Limited.

Finalist for China Law & Practice’s “Deal of the Year (M&A)” 2007 for the work on Zijin Mining Group Co Ltd.’s bid for Monterrico Metals plc.
Julia Charlton – Partner

- Julia, LL.B (1st class Honours), A.K.C (Kings College, London) was admitted as a solicitor in England & Wales in 1985 and has practised as a solicitor in Hong Kong since 1987.

- Julia is a member of the Listing Committee of the Stock Exchange of Hong Kong Limited and the Takeovers Panel and the Takeovers Appeal Panel of the SFC.


- Julia was named a “Leading Advisor” by Acquisition International for 2013.

- Julia was also named the “Capital Markets Lawyer of the Year – Hong Kong” in the Finance Monthly Global Awards 2014.

- Julia has extensive experience in China work and is a Mandarin speaker.
Charltons has considerable experience in helping companies to list on the Main Board and the GEM Board of the Hong Kong Stock Exchange.

Extensive experience in China
Recent IPO Experience

- **Medicskin Holdings Limited** (listed on the GEM of the SEHK in December 2014, Charltons acted as the Hong Kong legal adviser to the company)

- **Orient Securities International Holdings Limited** (listed on the GEM of the SEHK in January 2014, Charltons acted as the Hong Kong legal adviser to the sponsor)
Recent IPO Experience

- **Mastercraft International Holdings Limited** (listed on the GEM of the SEHK in July 2012, Charltons acted as the Hong Kong legal adviser to the sponsor)

- **Branding China Group Limited** (listed on the GEM of the SEHK in April 2012, Charltons acted as the Hong Kong legal adviser to the sponsor)
Recent IPO Experience

- **AIA Group Ltd.** (listed on the Main Board of the SEHK in October 2010, Charltons acted as the Hong Kong legal adviser to AIG, a shareholder)

- **United Company RUSAL Plc** (listed on the Main Board of the SEHK in January 2010, Charltons acted as the Hong Kong legal adviser to the controlling shareholder)
Other IPO Experience

- **China Titans Energy Technology Group Co., Limited** (listed on the Main Board of the SEHK in May 2010, Charltons acted as the Hong Kong legal adviser to the sponsor)

- **Mingfa Group (International) Company Limited** (listed on the Main Board of the SEHK in November 2009, Charltons acted as the Hong Kong legal adviser to the company)
Greens Holdings Limited (listed on the Main Board of the SEHK in November 2009, Charltons acted as the Hong Kong legal adviser to the company)

China All Access (Holdings) Limited,
• sponsored by Guotai Junan Capital Limited
• listed on the Main Board of the Exchange in September 2009, Charltons acted as the Hong Kong legal adviser to the sponsor
Other IPO Experience

- **China Tianyi Fruit Holdings Limited** (listed on the Main Board of the SEHK in July 2008, Charltons acted as the Hong Kong legal adviser to the sponsor)

- **China High Speed Transmission Equipment Group Co., Ltd.**
  - sponsored by Morgan Stanley
  - listed on the Main Board of the Exchange in 2007, Charltons acted on behalf of the company
  - with market capitalisation on listing of approximately HK$2,442,000,000 (US$313,600,000)
Other IPO Experience

- **Zhejiang Shibao Co., Ltd.** (listed on the GEM in May 2006, Charltons acted as the Hong Kong legal adviser to the company)

- **Fu Ji Food and Catering Services Holding Ltd.** (listed on the Main Board of the SEHK in December 2004, Charltons represented the strategic investor)
Other IPO Experience

- Zhejiang Shibao Co., Ltd., (listed on the GEM in May 2006, Charltons acted as the Hong Kong legal adviser to the company)

- Fu Ji Food and Catering Services Holding Ltd. (listed on the Main Board of the SEHK in December 2004, Charltons represented the strategic investor)
Other IPO Experience

- **China Fire Safety Enterprise Group Holdings Ltd.** (listed on the GEM of the SEHK in September 2002, Charltons represented the strategic investor)

- **Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co. Ltd.** (listed on GEM of the Exchange in August 2002, Charltons acted as the Hong Kong legal adviser to the sponsor)

- **Tianjin TEDA Biomedical Engineering Co. Ltd.** (listed on GEM of the Exchange in June 2002, Charltons acted as the Hong Kong legal adviser to the sponsor)

- **Zheda Lande Scitech Ltd.** (listed on GEM of the Exchange in May 2002, Charltons acted as the Hong Kong legal adviser to the company)

- **TradeEasy Holdings Ltd.** (listed on GEM of the Exchange in March 2002, Charltons acted as the Hong Kong legal adviser to the company) (it is now renamed as Merdeka Resources Holdings Limited)

- **E. Bon Holdings Ltd.** (listed on the Main Board of the Exchange in April 2000, Charltons acted as the Hong Kong legal adviser to the sponsor)

- **Great Wall Technology Co. Ltd.** (listed on the Main Board of the Exchange in August 1999, Charltons acted as the Hong Kong legal adviser to the company) (the then market capitalisation was valued approximately at HK$3,772,890,000)
New Regulatory Regime for IPO Sponsors

- The SFC published the Consultation Paper on the Regulation of Sponsors ("Consultation Paper") on 9 May 2012.
- Charltons represented 12 sponsors in relation to their submission of comments to the SFC in relation to the Consultation Paper.
- The SFC published Consultation Conclusions on the Regulation of IPO Sponsors on 12 December 2012.
- The new requirements in relation to the role of sponsors took effect on 1 October 2013.
New Regulatory Regime for IPO Sponsors (cont’d)

- The new sponsors regulatory regime introduced:
  - New Paragraph 17 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “Code of Conduct”)
    → And higher standards applicable to IPO sponsors, emphasising the standard of due diligence and requirements in relation to the recording of the work undertaken.
  - Amendments to the Listing Rules by the HKEx (to complement the new sponsor regulatory regime)
    → The HKEx has amended its listing timetable, guidance materials and templates.
Paragraph 17 of the Code of Conduct sets out the outcomes expected by the SFC, but does not address how such outcomes are to be achieved.

In order to help sponsors and other IPO participants better understand the revised standards contained in the Code of Conduct, Charltons acted as the co-ordinating law firm in relation to the publication of the Hong Kong Sponsors Due Diligence Guidelines ("Due Diligence Guidelines") produced jointly by leading Hong Kong law firms, two of the Big Four accounting firms and more than 40 banks or financial advisory businesses.

In addition to drafting the Due Diligence Guidelines, Charltons is responsible for managing and leading the publication of the Due Diligence Guidelines.

The Due Diligence Guidelines can be downloaded for free at www.duediligenceguidelines.com, a web site created and managed by Charltons.
New Regulatory Regime for IPO Sponsors (cont’d)

- The Due Diligence Guidelines are 762 pages long and were completed over a year of extensive consultation.

- A number of international and PRC investment banks in Hong Kong, medium-sized local sponsors and professional institutions (e.g. CCB International (Holdings) Limited, Linklaters and KPMG) were involved in the consultation process.
New Sponsors Regulatory Regime (cont’d)

- Various media coverage in relation to the Due Diligence Guidelines include:

  Hong Kong Economic Times
  1 October 2013
业界推IPO尽职调查指引

2013-10-01 02:31:38来源：大公网|我要分享
字体

为了满足新法律及监管要求所设定的标准，多家律师事务所、投行共同推出《首次公开招股尽职调查指引》，目的是编纂整个行业有关香港股本证券上市的尽职调查准则的专业知识，及维持香港市场的诚信，尤其是确保上市文件所披露资料的质量。业界期望该《指引》将成为重要参考文件，并可视为对经验较浅的市场从业人士或来自其他司法管辖区人士提供额外的教育工具。

该份长达762页的文件，在进行了一年多的广泛咨询后完成，其中涉及香港多家主要律师事务所、两家会计师事务所及超过40家银行及金融顾问机构。起草该《指引》的决定，是继香港证监会决定于短期内对保荐人规定进行全面修订后作出，该修订包括：首次公开招股（IPO）保荐人因《公司条例》第40A条的建议修订而需负上刑事责任。

担任协调律师事务所的易周律师行的高级合伙人周怡肴表示，纵使保荐人充分理解该等修订的依据，其等亦确有必要，但证监会的新《操守准则》及联交所的《上市规则》留下一个如何符合预期标准的非常实际的问题，而《指引》之目的在详细解决该问题。

香港收购及合併委员会现任主席祁立德表示，香港保荐人《尽职调查指引》是香港历史上由金融及法律界自愿性经过最广泛的及最繁复的努力而完成，刊发该《指引》对每天直接参与保荐人工作的人士、指导该等工作及向保荐人提供意见的人士，处理合规事宜的人士，将十分有益。

除了担任协调律师事务所的易周律师行外，另有12家本地保荐人，及17家国际律师事务所，及数名专业人士亦参与了起草新《指引》的工作。
New IPO Due Diligence Guidelines Establish Hong Kong As "Global Standard Bearer"

Hong Kong - October 1st, 2013 /MarketersMedia/ — Investment banks acting as sponsors to stock market equity listings in Hong Kong have collaborated with other market professionals to publish a globally-unique set of Due Diligence Guidelines on how to meet standards being set under new legal and regulatory requirements.

The 750-page groundbreaking Due Diligence Guidelines developed by Hong Kong sponsors in response to HK’s new regulatory regime effective tomorrow to promote standards of due diligence for HK IPOs, particularly relevant to Chinese companies.

The decision to draft the Guidelines followed a move last year by the Hong Kong Securities and Futures Commission (SFC) to introduce the most sweeping changes in sponsor regulation in a generation. The changes include criminal liability for IPO sponsors under proposed amendments to section 40A of the Companies Ordinance. In addition, tighter regulatory standards of IPO due diligence under a revised Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission are due to take effect tomorrow.
The Due Diligence Guidelines include chapters on:

- Knowing the Listing Applicant and its Management
- Verification Practice
- Business Model
- Interviews of Major Business Stakeholders
- Controlling Shareholders’ Relationship with the Listing Applicant
- Connected Persons and Connected Transactions
- Financials
- Internal Controls
- Material Contracts
- Biological Assets
Charltons represented a number of sponsors in submitting comments to the SFC and HKEx, and acted as the co-ordinating law firm in the Due Diligence Guidelines initiative and therefore has a deep understanding of the new regulatory regime applicable to IPO sponsors, the related amended Listing Rules and related compliance issues.

Charltons provides the followings services to ensure sponsors meeting the requirements set out in the Code of Conduct:

- sponsor training session
- Review and re-draft their sponsor engagement letter
- Review and re-draft their due diligence plan
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- Grandall Law Firm
- AVRIO Advocati
- Legal Link

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