



# LISTING IN HONG KONG

**A Quality Market**



Hong Kong Exchanges and Clearing Limited  
香港交易及結算所有限公司

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# Section I

## Benefits of Listing

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Companies list their shares for reasons that are unique to the particular circumstances of each company and its shareholders and management. Whatever the company's reasons for listing, a listing status could offer a company the following benefits:

- **Access to capital for growth** with opportunities to raise funds both at the time of listing and at later stages
- **Broader shareholder base** could potentially lead to a more liquid market in the trading of the company's shares
- **Employee incentive and commitment** resulting from the grant of employee share options to tie in the company's key staff
- **Higher profile and visibility** in the market could generate reassurance among the company's customers and suppliers
- **Increased corporate transparency** could lead to the grant of credit lines on more competitive terms from the company's bankers
- **Greater efficiency** resulting from rigorous disclosure standards demanded of listed issuers will lead to an improvement in their control, information management and operating systems

It is important that the company which intends to seek a listing consider and discuss with its advisers all the factors which are specific to the company and the vision of its management.

# Section II

## Why Listing in Hong Kong

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Once a company has decided to pursue a listing, it must also consider a suitable market on which to list its shares. In this connection, some of Hong Kong's advantages as a listing venue are set out below:

- **Gateway to Mainland China**

With close trading and business links to the Mainland China, Hong Kong is strategically placed in a high growth region and provides an ideal platform for issuers to achieve exposure in the rapidly growing Mainland market. As an internationally recognized financial centre with an abundance of professional China expertise, our Exchange has provided many Asian and multinational companies a gateway to the Mainland China.

- **Home Market for Mainland Companies**

As Hong Kong is one of the top 10 largest stock markets in the world and part of Mainland China, our market is the first choice for Mainland companies seeking a listing on an overseas international market. The applicability of the "home market" theory is reinforced by the statistic that a significant portion of the trading value of Mainland companies is conducted in Hong Kong where such companies have a dual listing in Hong Kong and another major overseas exchange.

- **Strong Investor Demand and Fund Raising Capability**

Hong Kong has the ability to attract an impressive investor base from both local and overseas investment communities. This provides issuers a platform with strong fund raising capability during their initial public offerings and post-listing fund raising activities.

- **Free Flow of Capital and Information**

With zero capital flow restriction, simple tax structure, free convertibility of currency and free flow of information, Hong Kong offers an attractive market for both issuers and investors alike.

- **Strong Legal System and International Accounting Standards**

Hong Kong has a well established legal system based on English common law and adopts Hong Kong or International Financial Reporting Standards, which provides a strong and attractive foundation for companies to raise funds as well as confidence to investors.

- **Sound Regulatory Framework**

The Exchange's Listing Rules are on a par with international standards and demand from listed issuers a high level of disclosure. The Exchange's stringent corporate governance requirements ensure that investors have access to timely and transparent information which allows them to appraise the position and prospects of the companies.

- **Advanced Trading, Clearing and Settlement Infrastructure**

Hong Kong possesses a strong trading, clearing and settlement infrastructure of the securities market which facilitates greater liquidity of the stock market and provides quality services to brokers, investors and other market participants.

# Section III

## Salient Features of the Main Board Listing Rules and the GEM Listing Rules

The following summary contains the salient features of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Rules”) and the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Rules”) (together, the “Listing Rules”) pertaining to listing, and being listed, in Hong Kong.

As this publication only contains a summary of the Listing Rules, readers are advised to refer to the Main Board Rules and GEM Rules for full details of the relevant provisions. This publication should not be regarded as a substitute for the Listing Rules.

General	Main Board	GEM
Types of securities	Equities, debts, third party derivatives, unit trusts and investment vehicles	Equity and debt securities only (including options, warrants and convertible securities)
Debt securities	Allows the listing of debt securities without the listing of a new applicant’s or its parent’s equity securities	The listing of debt securities is permitted only if: <ul style="list-style-type: none"> <li>the issuer’s equity securities are listed or will be simultaneously listed on GEM; or</li> <li>the equity securities of the parent of the debt issuer are or will be simultaneously listed on GEM.</li> </ul>
Theme of the market	Capital formation for larger and more established companies which meet our profit or other financial standards requirement	Capital formation for growth companies from all industries and of all sizes having a focused line of business but which may not have a performance track record
Dual listing	Allows dual listings with different requirements for primary and secondary listings	Allows dual listings, but not secondary listings
Acceptable jurisdictions	<ul style="list-style-type: none"> <li>The listing vehicle that is incorporated in one of four jurisdictions is generally acceptable to the Exchange for primary or secondary listings on the Main Board: <ol style="list-style-type: none"> <li>Hong Kong</li> <li>Bermuda</li> <li>Cayman Islands</li> <li>People’s Republic of China</li> </ol> </li> <li>Entities incorporated in other jurisdictions may also be accepted by the Exchange on a case-by-case basis</li> <li>Other jurisdictions may be acceptable for secondary listings on a case by case basis (Main Board Rules 19.29 to 19.57)</li> </ul>	<ul style="list-style-type: none"> <li>The listing vehicle that is incorporated in one of four jurisdictions is generally acceptable to the Exchange for a primary listing on GEM (GEM Rule 11.05): <ol style="list-style-type: none"> <li>Hong Kong</li> <li>Bermuda</li> <li>Cayman Islands</li> <li>People’s Republic of China</li> </ol> </li> <li>Entities incorporated in other jurisdictions may also be accepted by the Exchange on a case-by-case basis</li> <li>GEM does not permit secondary listings on its market</li> </ul>
Target investors	A whole spectrum of investors	Professional and informed investors

## Listing requirements

Financial requirement	<p>New applicants must fulfill one of three financial criteria (Main Board Rule 8.05):</p> <table border="1" data-bbox="327 246 1284 974"> <thead> <tr> <th></th> <th data-bbox="518 246 774 369">1. Profit Test</th> <th data-bbox="774 246 1029 369">2. Market Cap/ Revenue Test</th> <th data-bbox="1029 246 1284 369">3. Market Cap/ Revenue/ Cashflow Test</th> </tr> </thead> <tbody> <tr> <td data-bbox="327 369 518 582">Profit Attributable to Shareholders</td> <td data-bbox="518 369 774 582">Profits of HK\$50 million in the last 3 years (with HK\$20 million in the most recent year and an aggregate of HK\$30 million in the two preceding years)</td> <td data-bbox="774 369 1029 582">N/A</td> <td data-bbox="1029 369 1284 582">N/A</td> </tr> <tr> <td data-bbox="327 582 518 660">Market Cap</td> <td data-bbox="518 582 774 660">At least HK\$200 million at the time of listing</td> <td data-bbox="774 582 1029 660">At least HK\$4 billion at the time of listing</td> <td data-bbox="1029 582 1284 660">At least HK\$2 billion at the time of listing</td> </tr> <tr> <td data-bbox="327 660 518 761">Revenue</td> <td data-bbox="518 660 774 761">N/A</td> <td data-bbox="774 660 1029 761">At least HK\$500 million for the most recent audited financial year</td> <td data-bbox="1029 660 1284 761">At least HK\$500 million for the most recent audited financial year</td> </tr> <tr> <td data-bbox="327 761 518 974">Cashflow</td> <td data-bbox="518 761 774 974">N/A</td> <td data-bbox="774 761 1029 974">N/A</td> <td data-bbox="1029 761 1284 974">Positive cashflow from operating activities of at least HK\$100 million in aggregate for the three preceding financial years</td> </tr> </tbody> </table>				1. Profit Test	2. Market Cap/ Revenue Test	3. Market Cap/ Revenue/ Cashflow Test	Profit Attributable to Shareholders	Profits of HK\$50 million in the last 3 years (with HK\$20 million in the most recent year and an aggregate of HK\$30 million in the two preceding years)	N/A	N/A	Market Cap	At least HK\$200 million at the time of listing	At least HK\$4 billion at the time of listing	At least HK\$2 billion at the time of listing	Revenue	N/A	At least HK\$500 million for the most recent audited financial year	At least HK\$500 million for the most recent audited financial year	Cashflow	N/A	N/A	Positive cashflow from operating activities of at least HK\$100 million in aggregate for the three preceding financial years	No profit or other financial standards requirement
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Operating history	<p>New applicants must have a trading record of at least 3 financial years under substantially the same management. However, for issuers qualifying under the market capitalisation/revenue test, the Exchange may accept a shorter trading record period if the new applicant can demonstrate:</p> <ul style="list-style-type: none"> <li>• that its directors and management have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant; and</li> <li>• management continuity for the most recent audited financial year.</li> </ul> <p>(Main Board Rules 8.05 and 8.05A)</p> <p>New applicants must demonstrate at least 24 months of active business pursuits immediately preceding the date of submission of the listing application. This requirement may be reduced to 12 months if:</p> <ul style="list-style-type: none"> <li>• the company has:             <ol style="list-style-type: none"> <li>1. a total turnover of not less than HK\$500 million in the last 12 month period as reported upon in the accountants' report contained in the initial listing document;</li> <li>2. total assets of not less than HK\$500 million as shown in the balance sheet in respect of the last financial period reported upon in the accountants' report; or</li> <li>3. a market capitalisation of at least HK\$500 million determined as at the time of listing;</li> </ol> </li> <li>• at the time of listing, the company has a minimum market capitalisation of HK\$150 million in public hands which is held by at least 300 shareholders, with the largest 5 and largest 25 of such shareholders holding in aggregate not more than 35% and 50% respectively of the equity securities in public hands; and</li> <li>• the initial public offer price of the shares is not less than HK\$1.</li> </ul> <p>(GEM Rule 11.12)</p>																							

Relaxation of operating history requirement	<p>The Exchange is prepared to accept a shorter trading record period and/or may vary or waive the profit or other financial standards requirement in respect of:</p> <ol style="list-style-type: none"> <li>1. newly formed “project” companies (Main Board Rule 8.05B(2));</li> <li>2. mineral companies (Main Board Rule 8.05B(1) and Chapter 18 of the Main Board Rules); and</li> <li>3. exceptional circumstances where the issuer or its group has a trading record of at least two financial years if the Exchange is satisfied that the listing of the issuer is desirable in the interests of the issuer and investors and that investors have the necessary information available to arrive at an informed judgement concerning the issuer and the securities for which listing is sought. (Main Board Rule 8.05B(3))</li> </ol>	<p>The Exchange may accept companies having less than 24 months of active business pursuits for newly-formed “project” companies (such as infrastructure companies), natural resource exploitation companies or under exceptional circumstances (GEM Rule 11.14)</p>
Focused line of business	No such specific requirement	<p>A new applicant must actively pursue a focused line of business rather than have more than one disparate business. However, peripheral activities related to its core business are allowed (GEM Rule 11.12)</p>
Statement of business objectives	No such specific requirement but a new applicant is expected to include a general statement of future plans and prospects	<p>A new applicant must state its overall business objectives and explain how it proposes to achieve them over the period covering the remaining financial year during which listing occurs and the 2 financial years thereafter (GEM Rule 11.15)</p>
Active business carried on at subsidiary level	In practice, the Exchange will expect an issuer to have control over its business	<p>A new applicant may have its active business carried out by either itself, or its subsidiary or subsidiaries. In the case of an active business carried out by a subsidiary or subsidiaries, the new applicant must control the board of the relevant subsidiary or subsidiaries and have an effective economic interest of not less than 50% of that subsidiary or those subsidiaries. (GEM Rule 11.13)</p>
Management, ownership and control during the track record period	<p>A new applicant must have been under substantially the same management and ownership during the 3-year track record period. In practice, this means that the company has had:</p> <ol style="list-style-type: none"> <li>1. management continuity for at least the 3 preceding years; and</li> <li>2. ownership continuity and control for at least the most recent audited financial year</li> </ol> <p>(Main Board Rule 8.05)</p>	<p>A new applicant must have been under substantially the same management and ownership over the period of active business pursuits (GEM Rule 11.12)</p>
Competing businesses	<p>Allows competing businesses of directors and controlling shareholders provided that full disclosure is made at the time of listing and on an on-going basis (Main Board Rule 8.10)</p>	<p>Allows competing businesses of directors, controlling shareholders, substantial shareholders and management shareholders provided that full disclosure is made at the time of listing and, except for substantial shareholders, on an on-going basis. (GEM Rules 11.03 and 11.04)</p>

Minimum market capitalisation	<p><b>Shares</b></p> <p>Market capitalisation of a new applicant of at least HK\$200 million at the time of listing (Main Board Rule 8.09(2))</p> <p><b>Options, warrants or similar rights</b></p> <p>Market capitalisation of HK\$10 million at the time of listing (Main Board Rule 8.09(4))</p>	<p><b>Shares</b></p> <p>No specific requirement but the market capitalisation of a new applicant at the time of listing effectively cannot be less than HK\$46 million</p> <p><b>Options, warrants or similar rights</b></p> <p>Market capitalisation of HK\$6 million at the time of listing (GEM Rule 11.23(3)(a))</p>
Minimum public float	<ul style="list-style-type: none"> <li>25% of the issuer's total issued share capital. For issuers with an expected market capitalisation of over HK\$1 billion at the time of listing, the Exchange may accept a lower percentage of between 15% and 25%.</li> <li>Minimum public float as determined above must be maintained at all times.</li> </ul> <p>(Main Board Rule 8.08)</p>	<ul style="list-style-type: none"> <li>For companies with a market capitalisation not exceeding HK\$4 billion at the time of listing, a minimum public float of 25% subject to a minimum of HK\$30 million in terms of market capitalisation.</li> <li>For companies with a market capitalisation over HK\$4 billion at the time of listing, a minimum public float of 20% or such higher percentage as will result in at least HK\$1 billion worth of shares being in public hands at the time of listing.</li> <li>Minimum public float as determined above must be maintained at all times.</li> </ul> <p>(GEM Rule 11.23)</p>
Minimum holdings by management shareholders and significant shareholders	N/A	Management shareholders and significant shareholders collectively must hold not less than 35% of the issued share capital at the time of listing (GEM Rule 11.22)
Spread of shareholders	<ul style="list-style-type: none"> <li>A minimum of 300 holders (if qualifying under the profit test or market capitalisation/revenue/cashflow test) or 1,000 holders (if qualifying under the market capitalisation/revenue test) (Main Board Rule 8.08(2))</li> <li>Not more than 50% of the securities in public hands at the time of listing can be beneficially owned by the 3 largest public shareholders (Main Board Rule 8.08(3))</li> </ul>	<ul style="list-style-type: none"> <li>A minimum of 100 public shareholders at the time of listing for issuers with at least 24 months of active business pursuits (GEM Rule 11.23(2)(b))</li> <li>A minimum of 300 public shareholders at the time of listing if the company only meets the requirement of 12 months' active business pursuits (GEM Rule 11.12(3)(c))</li> </ul>
Underwriting arrangements	Public tranche must be fully underwritten	Underwriting is not compulsory. However, if new capital is to be raised by the issuer in an amount not fully underwritten, a listing may only proceed if the minimum subscription amount set out in the prospectus has been raised. (GEM Rule 11.24)
Offering mechanism	Specific restrictions on the basis of allocation within the public subscription tranche and the claw back mechanism between the placing tranche and the public subscription tranche in the event of over-subscription. The new applicant may not list by way of placing only if there is likely to be significant public demand for its securities. (Practice Note 18 to the Main Board Rules)	A new applicant is free to decide its offering mechanism as long as full disclosure is made
Appointment of sponsor	<ul style="list-style-type: none"> <li>A new applicant must appoint a sponsor to assist it with its listing application (Main Board Rule 3A.02)</li> </ul>	<ul style="list-style-type: none"> <li>A new applicant must appoint a sponsor to assist it with its listing application. The sponsor must be admitted to the list of qualified sponsors maintained by the Exchange (GEM Rule 6A.02)</li> </ul>
	<ul style="list-style-type: none"> <li>A new applicant and its directors must assist the sponsor to perform its role (Main Board Rule 3A.05 and GEM Rule 6A.05)</li> </ul>	



## Role of the Exchange

Listing applications	<ul style="list-style-type: none"> <li>• Pre-vets prospectuses against compliance with the Listing Rules and the Companies Ordinance for the purpose of authorising registration</li> <li>• Reserves the right to reject and raise queries on any listing application</li> </ul>
Surveillance, compliance and enforcement	<ul style="list-style-type: none"> <li>• Actively polices the market and undertakes enforcement actions in the case of breaches of the Listing Rules</li> <li>• Pre-vets announcements, circulars and listing documents against compliance with the Listing Rules</li> <li>• Reserves the power to request listed issuers to issue clarification announcements and circulars</li> <li>• Raises queries on unusual price or volume movements in a listed issuer's securities</li> </ul>

## Governing structure

Day-to-day operations	Carried out by the Listing Division	Carried out by the Listing Division
Governance of listing matters	Listing Committee	GEM Listing Committee
Appeals	<ul style="list-style-type: none"> <li>• Listing (Review) Committee</li> <li>• Listing Appeals Committee</li> </ul>	<ul style="list-style-type: none"> <li>• GEM Listing (Review) Committee</li> <li>• Listing Appeals Committee (the same committee as for the Main Board)</li> </ul>

## Sponsors

Sponsor scheme	No such sponsor scheme. However, failure to meet the Exchange's expectations without reasonable cause may render the sponsor unacceptable to perform this role.	<ul style="list-style-type: none"> <li>• The Exchange approves the admission of sponsors for GEM and reviews their on-going eligibility.</li> <li>• The Exchange maintains a list of qualified sponsors to act for new applicants or listed issuers as their compliance advisers.</li> </ul> <p>(Chapter 6 of the GEM Rules)</p>
Role of sponsors in respect of IPOs	<p>The sponsor is responsible for preparing the new applicant for listing, lodging the formal application for listing and all supporting documentation to, and dealing with, the Exchange on all matters arising in connection with the application.</p> <p>A sponsor must:</p> <ul style="list-style-type: none"> <li>• be closely involved in the preparation of the new applicant's listing documents;</li> <li>• conduct reasonable due diligence inquiries;</li> <li>• ensure the relevant requirements in the Listing Rules are complied with by the new applicant;</li> <li>• use reasonable endeavours to address all matters raised by the Exchange in connection with the listing application including providing to the Exchange, in a timely manner, such information as the Exchange may reasonably require;</li> <li>• accompany the new applicant to any meetings with the Exchange and participate in any other discussions with the Exchange as requested by the Exchange.</li> </ul> <p>(Main Board Rule 3A.11 and GEM Rule 6A.11)</p>	

## Sponsor's eligibility

Legal form	A Main Board sponsor must be a corporation or an authorised financial institution (Main Board Rule 1.01)	A GEM sponsor must be a limited liability company incorporated under the Companies Ordinance or registered under Part XI of the Companies Ordinance (GEM Rule 6.12)
Professional or licensing requirements	A Main Board sponsor must be licensed or registered under applicable laws to advise on corporate finance matters (Main Board Rule 1.01)	A GEM sponsor must be licensed or registered under the Securities and Futures Ordinance (GEM Rule 6.13)
Corporate finance experience	No specific requirement	<p>A GEM sponsor must have sponsored IPO transactions in Hong Kong, and have other relevant corporate finance experience in Hong Kong or overseas. Specifically, a GEM sponsor must have:</p> <ul style="list-style-type: none"> <li>acted as the lead sponsor on at least 2 completed IPO transactions on the Main Board or GEM over the past 5-year period prior to the application date; or</li> <li>acted as a co-sponsor on at least 3 completed IPO transactions on the Main Board or GEM over the same period.</li> </ul> <p>In exceptional circumstances, the Exchange may waive or relax the above requirements where the prospective sponsor:</p> <ul style="list-style-type: none"> <li>can demonstrate to the Exchange's satisfaction that it has proven experience and recognised expertise in sponsoring IPO transactions gained over a period in excess of 5 years prior to the application date;</li> <li>is a member of a group having the requisite experience based on which the prospective sponsor can be expected to benefit; or</li> <li>is a newly set-up firm and complies with certain other sponsor eligibility criteria set out in the GEM Listing Rules.</li> </ul> <p>(GEM Rule 6.14)</p>
Capital requirements	No specific requirement	<ul style="list-style-type: none"> <li>Must have a paid-up share capital and/or non-distributable reserves of not less than HK\$10 million.</li> <li>Must have a net tangible asset value after minority interests of not less than HK\$10 million, represented by unencumbered assets. If the amount drops below HK\$10 million, the sponsor cannot take on new sponsorship roles. In any event, such amount cannot fall below HK\$5 million.</li> </ul> <p>The above two requirements can be satisfied by a bank guarantee or a guarantee given by a company of substance within the same group as the sponsor acceptable to the Exchange. (GEM Rule 6.15)</p>

Staffing requirements	No specific requirement	<ul style="list-style-type: none"> <li>• A minimum of 2 executive directors who: <ol style="list-style-type: none"> <li>1. are engaged in a full time capacity in the corporate finance business in Hong Kong;</li> <li>2. must be a licensed representative under the Securities and Futures Ordinance and approved by the Securities and Futures Commission (the "Commission"). However, this requirement is not applicable where the sponsor is declared by the Commission to be an exempt dealer; and</li> <li>3. must have over the last 5 years: <ol style="list-style-type: none"> <li>(i) acted in a substantive capacity on at least 2 completed IPO transactions on the Main Board or GEM. Such role must be derived from firms that have sponsored company listings on these markets. The Exchange may waive this requirement in exceptional circumstances; and</li> <li>(ii) other relevant corporate finance experience, the substantial part of which must have been derived in respect of companies listed on the Main Board or GEM.</li> </ol> </li> </ol> <p>(GEM Rule 6.16)</p> </li> <li>• A minimum of 2 other members of staff who must: <ol style="list-style-type: none"> <li>1. be engaged in a full time capacity in the corporate finance business in Hong Kong;</li> <li>2. be a licensed representative under the Commission. However, this requirement is not applicable where the sponsor is declared by the Commission to be an exempt dealer; and</li> <li>3. have relevant corporate finance experience over the last 3 years, the substantial part of which must have been derived in respect of companies listed on the Main Board or GEM.</li> </ol> <p>(GEM Rule 6.17)</p> </li> </ul>
Past records of public censure and other disciplinary action	No specific provision	Any public censure or disciplinary action taken against a sponsor, its director or staff over the past 5 years must be disclosed. If any public censure occurred in the last 5 years, it is unlikely that the sponsor, its director or staff will be regarded as suitable for admission as a GEM sponsor. (GEM Rule 6.19)
Independence of sponsors	<ul style="list-style-type: none"> <li>• Sponsors must perform their duties impartially i.e. without bias.</li> <li>• At least one of a new applicant's sponsors must be independent from the new applicant. A sponsor is not independent if, inter alia, the sponsor group holds, directly or indirectly, more than 5% of the issued share capital of the new applicant, except that the holding arises as a result of an underwriting obligation.</li> <li>• Sponsors are required to make a statement relating to independence to the Exchange and advise the Exchange if any of the information in their statements change.</li> <li>• Where a new applicant has more than one sponsor, the listing document must disclose whether each sponsor is independent and, if not, then how the lack of independence arises.</li> </ul> <p>(Main Board Rules 3A.06 to 3A.10 and GEM Rules 6A.06 to 6A.10)</p>	
On-going eligibility	No specific requirement	A GEM sponsor's eligibility is subject to the annual review by the Exchange. The Exchange may also review the GEM sponsor's on-going eligibility at any time at its discretion. (GEM Rules 6.28 to 6.31)

## Contents of listing documents

Statement of active business pursuits	The new applicant must state its business activities and financial information (Appendix 1A to the Main Board Rules – Paragraphs 28 to 40)	The new applicant must provide qualitative and quantitative information on its business history and performance (including achievements and setbacks) over the 24 months (or 12 months as the case may be) prior to listing (GEM Rules 14.15 to 14.18)
Statement of business objectives	The new applicant must provide information on its general business trend, financial and trading prospects (Appendix 1A to the Main Board Rules – Paragraphs 32 to 34(1))	The new applicant must explain all bases and assumptions and provide a detailed description of business objectives for each product and service, analysed by reference to each major business activity (GEM Rules 14.19 to 14.21)
Use of proceeds	The new applicant must disclose details of its intended use of proceeds (Appendix 1A to the Main Board Rules – Paragraphs 48 to 50)	The new applicant must explain the use of proceeds in detail by reference to its business objectives (Appendix 1A of the GEM Rules – Paragraphs 48 to 50)
Profit forecast	Profit forecast is not compulsory (Main Board Rules 11.16 to 11.19)	Profit forecast is not compulsory (GEM Rules 14.28 to 14.31)
Accountants' report	<ul style="list-style-type: none"> <li>To cover 3 financial years except for exempted companies (Main Board Rule 4.04)</li> <li>Can be prepared in accordance with either Hong Kong Financial Reporting Standards or International Financial Reporting Standards for primary listings on the Exchange (Main Board Rules 4.11 to 4.13)</li> <li>May be prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) or other acceptable accounting standards acceptable to the Exchange under certain circumstances (Main Board Rules 19.14 and 19.39)</li> </ul>	<ul style="list-style-type: none"> <li>To cover a period of at least 24 months (or 12 months as the case may be) of active business pursuits (GEM Rule 11.10)</li> <li>Can be prepared in accordance with either Hong Kong Financial Reporting Standards or International Financial Reporting Standards (GEM Rule 7.12)</li> <li>Can be prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) if the applicant is or will be simultaneously listed on either the New York Stock Exchange or the NASDAQ National Market (GEM Rule 14.22)</li> </ul>

## Moratorium

In respect of controlling shareholders	<p>The Exchange imposes certain restrictions on the disposal of shares by controlling shareholders following a company's new listing. Essentially, any person regarded as a controlling shareholder at the time of listing shall not:</p> <ul style="list-style-type: none"><li>• dispose of his shares in the listed issuer in 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 six months from the date on which dealings in the securities of a new applicant commence on the Exchange; or</li><li>• dispose of his interest in the issuer if such disposal would result in him ceasing to be a controlling shareholder in the period of six months commencing on the date on which the period referred to above expires.</li></ul> <p>Controlling shareholder(s) of a new applicant must undertake to the issuer and the Exchange to disclose any pledge/charge of any securities beneficially owned by him/them in favour of an authorised institution for a period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholder(s) is made in the listing document and ending on the date which is 12 months from the date on which dealings in the securities of a new applicant commence on the Exchange.</p> <p>(Main Board Rule 10.07)</p>	Controlling shareholders will be deemed as management shareholders and are subject to the moratorium imposed on management shareholders referred to below.
In respect of initial management shareholders	N/A	<ul style="list-style-type: none"><li>• Any person who is, or group of persons who together are, entitled to exercise 5% or more of the voting power of an issuer and who is or are able to direct or influence the management is regarded as a management shareholder. Initial management shareholder means any management shareholders immediately prior to listing document date, and also include the following persons who are shareholders immediately prior to the listing date:<ol style="list-style-type: none"><li>1. all members of senior management;</li><li>2. all executive and non-executive directors;</li><li>3. all investors, including but not limited to investment funds, with board representation.</li></ol></li><li>• An Initial Management Shareholder must place in escrow, and undertake not to dispose of, all his relevant securities for a period commencing on the date by reference to which disclosure of his shareholding is made in the listing document and ending on the date which is 12 months from the listing date. However, this period may be reduced to 6 months if the Initial Management Shareholder's relevant securities represent no more than 1% of the issued share capital of the issuer.</li><li>• Initial Management Shareholders must undertake to the new applicant and the Exchange to disclose any pledge or charge of any securities beneficially owned by them in favour of an authorised institution for a period commencing on the date by reference to which disclosure of their shareholding is made in the listing document and ending on the date which is 12 months from the date of listing.</li></ul> <p>(GEM Rules 13.16 and 13.19)</p>

In respect of significant shareholders	N/A	<ul style="list-style-type: none"> <li>• Any person who is entitled to exercise 5% or more of the voting power of an issuer immediately prior to the listing document date and the listing date and who is not a management shareholder is regarded as a significant shareholder.</li> <li>• A Significant Shareholder must place in escrow, and undertake not to dispose of, all his relevant securities for a period commencing on the date by reference to which disclosure of his shareholding is made in the listing document and ending on the date which is 6 months from the listing date.</li> <li>• Significant Shareholders must undertake to the new applicant and the Exchange to disclose any pledge or charge of any securities beneficially owned by them in favour of an authorised institution for a period commencing on the date by reference to which disclosure of their shareholding is made in the listing document and ending on the date which is 6 months from the date of listing.</li> </ul> <p>(GEM Rules 13.17 and 13.19)</p>
Restrictions on the issue of new shares	The Exchange does not normally permit further issues of shares or securities convertible into equity securities of a listed issuer within 6 months of listing. For exceptions, please see Main Board Rule 10.08 and GEM Rule 17.29.	

## Continuing obligations of listed issuers

Continuing obligations	<p>The Listing Rules set out certain continuing obligations which an issuer is required to observe once its securities have been listed on our Exchange. Major areas covered include:</p> <ul style="list-style-type: none"> <li>• general obligations of disclosure including those relating to the immediate release of information which is expected to be price-sensitive (see “Disclosure of price sensitive information” below);</li> <li>• response to enquiries made of the issuer by the Exchange concerning unusual movements in the price or trading volume of its listed securities or any other matters;</li> <li>• compliance with the prescribed minimum percentage of listed securities in public hands at all times;</li> <li>• pre-emptive rights, being circumstances under which the directors of the listed issuer must obtain the consent of shareholders in general meeting prior to allotting, issuing or granting securities; and</li> <li>• disclosure of financial information.</li> </ul> <p>(Chapter 13 and Appendix 16 of the Main Board Rules and Chapters 17 and 18 of the GEM Rules)</p>	
Appointment of compliance adviser	<ul style="list-style-type: none"> <li>• An issuer must appoint a compliance adviser acceptable to the Exchange for the period commencing on its listing date and ending on publication of financial results for the first full financial year after listing. (Main Board Rule 3A.19)</li> <li>• An issuer will have to consult and, if necessary, seek advice from their compliance advisers before publication of any regulatory announcement, circular or financial report (Main Board Rule 3A.23 and GEM Rule 6A.23)</li> </ul>	<ul style="list-style-type: none"> <li>• An issuer must appoint a compliance adviser acceptable to the Exchange for the period commencing on its listing date and ending on publication of financial results for the second full financial year after listing. (GEM Rule 6A.19)</li> </ul>
Fundamental change in the nature of business	<ul style="list-style-type: none"> <li>• Within the first 12 months after listing, an issuer may not effect any acquisition or disposal which would result in a fundamental change in its principal business activities as described in the prospectus. However, the Exchange may grant a waiver from this requirement if the circumstances are exceptional and prior independent shareholders’ approval is obtained (controlling shareholders are not allowed to vote).</li> <li>• Other than with the prior approval of independent shareholders, an issuer may not, during the remaining financial year in which listing occurs and the 2 financial years thereafter, effect any fundamental change in its principal business activities or that of its group. (GEM Rule 17.25)</li> </ul> <p>(Main Board Rules 14.89 and 14.90)</p>	

Corporate  
governance

- Independent Non-Executive Directors
  1. Listed issuers are required to appoint at least three independent non-executive directors.
  2. At least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise.

(Main Board Rules 3.10 to 3.15 and GEM Rules 5.05 to 5.12)

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- Audit Committee

1. Listed issuers must establish an audit committee comprising non-executive directors only.
2. The audit committee must have a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
3. The majority must be independent non-executive directors and the audit committee must be chaired by an independent non-executive director.

(Main Board Rules 3.21 to 3.23 and GEM Rules 5.28, 5.29 and 5.33)

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- Qualified Accountant

Listed issuers must employ a qualified accountant on a full-time basis to supervise the financial reporting procedures and internal controls and compliance with the requirements of the Listing Rules with regard to financial reporting and other accounting-related issues.

(Main Board Rules 3.24 and GEM Rules 5.15 to 5.18)

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- Compliance Officer

N/A

One of a GEM issuer's executive directors must be designated as a compliance officer to ensure that the company complies with the GEM Rules and other relevant laws and regulations, and to respond promptly and efficiently to enquiries directed to him by the Exchange (GEM Rules 5.19 to 5.23).

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Code on Corporate  
Governance  
Practices

- The Code on Corporate Governance Practices (the "Code") sets out the Exchange's views on the principles of good corporate governance and two levels of recommendations, namely Code Provisions and Recommended Best Practices.
- Issuers are expected to comply with, but may choose to deviate from, the Code Provisions. Issuers must state whether they have complied with them for the relevant accounting period in their interim/half-year reports and annual reports. Where the issuer deviates from them, the issuer must give considered reasons.
- Issuers are encouraged to comply with the Recommended Best Practices which are provided for guidance only. Issuers are encouraged, but are not required, to disclose whether they have complied with them and to give considered reasons for any deviation.
- The Code has five sections dealing with directors, remuneration of directors and senior management, accountability and audit, delegation by the board and communication with shareholders.

(Appendix 14 of the Main Board Rules and Appendix 15 of the GEM Rules)

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Disclosure of price  
sensitive  
information

An issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group which:-

- is necessary to enable them and the public to appraise the position of the group;
- is necessary to avoid the establishment of a false market in its securities; or
- might be reasonably expected materially to affect market activity in and the price of its securities.

Our publication entitled "Guide on Disclosure of Price Sensitive Information" provides guidance on this subject.

(Main Board Rule 13.09 and GEM Rule 17.10)

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Securities  
transactions by  
directors

- A director must not deal in any of the securities of the listed issuer at any time when he is in possession of unpublished price-sensitive information in relation to those securities or when, by virtue of his position as a director of another listed issuer, he is in possession of unpublished price-sensitive information in relation to those securities.
- A director must not deal in any of the securities of the listed issuer (unless the circumstances are exceptional) during the period commencing one month immediately preceding the earlier of (a) the date of the board meeting for the approval of the listed issuer's financial results; and (b) the deadline for the listed issuer to publish an announcement of its financial results and ending on the date of the results announcement.

(Appendix 10 of the Main Board Rules and Chapter 5 of the GEM Rules)

## Notifiable transactions

Notifiable transactions

The Listing Rules set out various categories of notifiable transactions, the classification of which is determined by comparing the size of the transaction with the size of the issuer proposing to enter into the transaction. As soon as one of the following thresholds is met, a listed issuer is required to comply with all the obligations applicable to the transaction type.

(Main Board Rules 14.07 to 14.08 and GEM Rule 19.08)

Transaction type	Assets ratio	Consideration ratio	Profits ratio	Revenue ratio	Equity capital ratio (Note 1)
Share transaction	Less than 5%				
Discloseable transaction	5% or more but less than 25%				
Major transaction (disposal)	25% or more but less than 75%				N/A
Major transaction (acquisition)	25% or more but less than 100%				
Very substantial disposal	75% or more				N/A
Very substantial acquisition	100% or more				

Note 1: The equity capital ratio only relates to an acquisition (and not a disposal) by a listed company issuing new equity capital.

In the case of a transaction involving both an acquisition and a disposal, the transaction will be classified by reference to the larger of the acquisition or disposal.

The table below summarises the notification, publication and shareholders' approval requirements which will generally apply to each category of notifiable transaction.

(Main Board Rule 14.33 and GEM Rule 19.33)

Transaction type	Notification to the Exchange	Announcement	Circular to shareholders	Shareholders' approval	Accountants' report
Share transaction	Yes	Yes	No	No (Note 1)	No
Discloseable transaction	Yes	Yes	Yes	No	No
Major transaction	Yes	Yes	Yes	Yes (Note 2)	Yes (Note 4)
Very substantial disposal	Yes	Yes	Yes	Yes (Note 2)	Yes (Note 5)
Very substantial acquisition	Yes	Yes	Yes	Yes (Note 2)	Yes (Note 6)
Reverse takeover	Yes	Yes	Yes	Yes (Notes 2 and 3)	Yes (Note 6)

Main Board companies are required to publish the announcement in the newspapers. GEM companies are only required to post the announcement on the GEM website.

Note 1: No shareholders' approval is necessary if the consideration shares are issued under a general mandate.

Note 2: Any shareholder and his associates must abstain from voting if such shareholder has a material interest in the transaction.

Note 3: Approval of the Exchange is necessary.

Note 4: For acquisitions of businesses and/or companies only. The accountants' report is for the three preceding financial years on the business, company or companies being acquired.

Note 5: An accountants' report on the listed issuer's group is required.

Note 6: An accountants' report for the three preceding financial years on any business, company or companies being acquired is required.



## Reverse takeover

- Reverse takeover
- An acquisition or a series of acquisitions of assets where there is or which will result in a change in control will be treated as a reverse takeover only if the results of any of the percentage ratios have individually or together reached the very substantial acquisition threshold (i.e. 100% or more).
  - The reverse takeover provisions will also apply where there is an injection of assets by the incoming controlling shareholder within 24 months of his gaining control, and such gaining of control had not been regarded as a reverse takeover.
  - The Exchange will treat a listed issuer proposing a reverse takeover as if it were a new applicant. The enlarged group or the assets to be acquired must be able to meet the listing requirements of the Main Board or GEM (as the case may be).

(Main Board Rules 14.06(6) and 14.54 to 14.57 and GEM Rules 19.06(6) and 19.54 to 19.57)

## Connected transactions

Connected transactions

The Listing Rules contain certain safeguards against listed issuers' directors, chief executives, substantial shareholders and, in the case of GEM issuers, management shareholders (or their associates) taking advantage of their positions when the listed issuer enters into "connected transactions" (as defined in Main Board Rule 14A.13 and GEM Rule 20.13). Unless exempt under the Listing Rules, connected transactions are subject to disclosure, reporting and shareholders' approval requirements.

For details, please see Chapter 14A of the Main Board Rules and Chapter 20 of the GEM Rules.

## News dissemination requirements

Principal publication channel	<ul style="list-style-type: none"><li>• Announcements must be published in newspapers and on HKEx's website</li><li>• Printed copies of listing documents/circulars and financial reports are required, unless shareholder requests soft copies</li></ul>	<ul style="list-style-type: none"><li>• Announcements must be published on the GEM website</li><li>• Printed copies of listing documents/circulars and financial reports are required, unless shareholder requests soft copies</li></ul>
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## Share repurchases

Share repurchases

Share repurchases are allowed only if a mandate has been approved by the issuer's shareholders. The maximum number of shares an issuer can repurchase is 10% of the existing issued share capital during the effective period of the mandate. Such mandate must be renewed by shareholders in a general meeting or the next AGM; otherwise it will expire at the next AGM

(Main Board Rule 10.06 and GEM Rule 13.09)

## Disciplinary actions

In respect of listed companies and directors	Common penalties include public statement which involves criticism and public censure  (Main Board Rule 2A.09 and GEM Rule 3.10)	
In respect of sponsors or compliance advisers	Penalties include public statement which involves criticism and public censure  (Main Board Rule 2A.09)	Penalties include: <ul style="list-style-type: none"><li>• private reprimand and public censure</li><li>• removal of sponsors from the Exchange's list of approved GEM sponsors</li></ul> (GEM Rule 6.67)

## Suspension and resumption of trading and delisting

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Suspension and resumption      There are many situations which may give rise to a suspension of trading, such as the existence of unpublished price sensitive information. In such cases, the suspension will not normally be lifted until the issuer has published such information in accordance with the Listing Rules.

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Delisting      • Generally, listed issuers are required to carry out a sufficient level of operations (or, in the case of Main Board issuers, have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated) to warrant the continued listing of their securities on our Exchange.

(Main Board Rule 13.24 and GEM Rule 17.26)

• The listed issuer may be delisted by the Exchange where the securities of the company have been continuously suspended for a prolonged period without the issuer taking adequate action to obtain a restoration of the trading.

(Main Board Rule 6.04 and GEM Rule 9.14)

(Practice Note 17 of the Main Board Rules)

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# Section IV

## Listing Fees

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### Initial Listing Fees

Initial listing fees payable to the Exchange are calculated based on the monetary value of equity securities of the company to be listed.

### Main Board

Monetary Value of Equity Securities to be Listed (HK\$ Million)		Initial Listing Fee (HK\$)
Not exceeding	100	150,000
	200	175,000
	300	200,000
	400	225,000
	500	250,000
	750	300,000
	1,000	350,000
	1,500	400,000
	2,000	450,000
	2,500	500,000
	3,000	550,000
	4,000	600,000
	5,000	600,000
Over	5,000	650,000

Note: For secondary listings on the Main Board, the initial listing fee is normally 25% of the fees listed above, subject to a minimum payment of HK\$150,000.

(Appendix 8 of the Main Board Rules)

### GEM

Monetary Value of Equity Securities to be Listed (HK\$ Million)		Initial Listing Fee (HK\$)
Not exceeding	100	100,000
	1,000	150,000
Over	1,000	200,000

(Appendix 9 of the GEM Rules)

## Annual Listing Fees

Listed issuers are required to pay an annual listing fee which is calculated by reference to the nominal value of the securities which are or are to be listed on the Exchange. This fee is payable in advance in one instalment.

### Main Board

Nominal Value of Listed Equity Securities (HK\$ Million)		Annual Listing Fee (HK\$)
Not exceeding	200	145,000
	300	172,000
	400	198,000
	500	224,000
	750	290,000
	1,000	356,000
	1,500	449,000
	2,000	541,000
	2,500	634,000
	3,000	726,000
	4,000	898,000
	5,000	1,069,000
Over	5,000	1,188,000

Note 1: Where an issuer has shares which have a nominal value of less than HK\$0.25, then for the purpose of calculating the annual listing fee, the nominal value of each share is deemed to be HK\$0.25.

Note 2: For secondary listings on the Main Board, the annual listing fee is normally 25% of the fees listed above.

(Appendix 8 of the Main Board Rules)

### GEM

Nominal Value of Listed Equity Securities (HK\$ Million)		Annual listing Fee (HK\$)
Not exceeding	100	100,000
	2,000	150,000
Over	2,000	200,000

Note: Where an issuer has shares which have a nominal value of less than HK\$0.25, then for the purpose of calculating the annual listing fee, the nominal value of each share is deemed to be HK\$0.25.

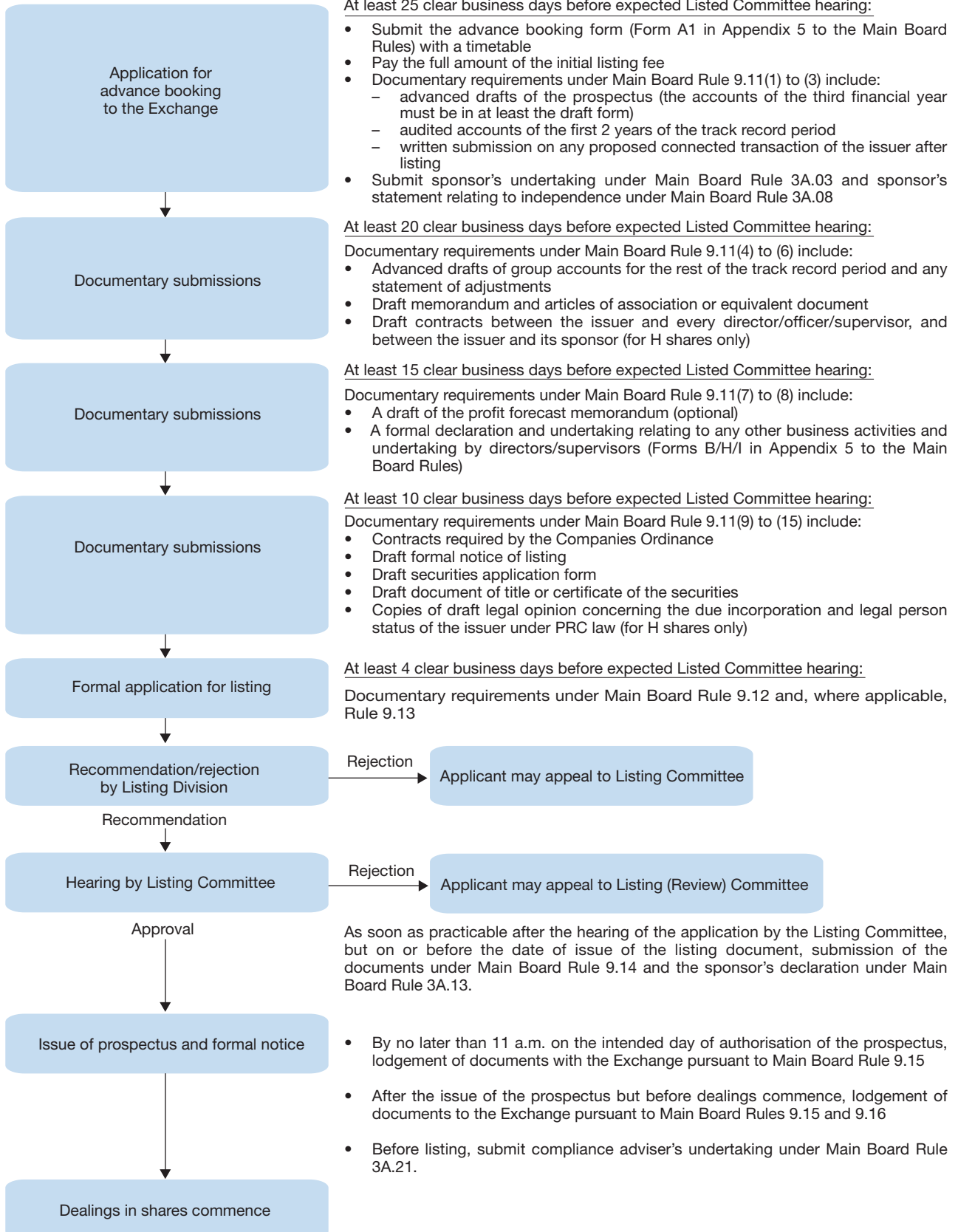
(Appendix 9 of the GEM Rules)

# Section V

## Listing Flowcharts

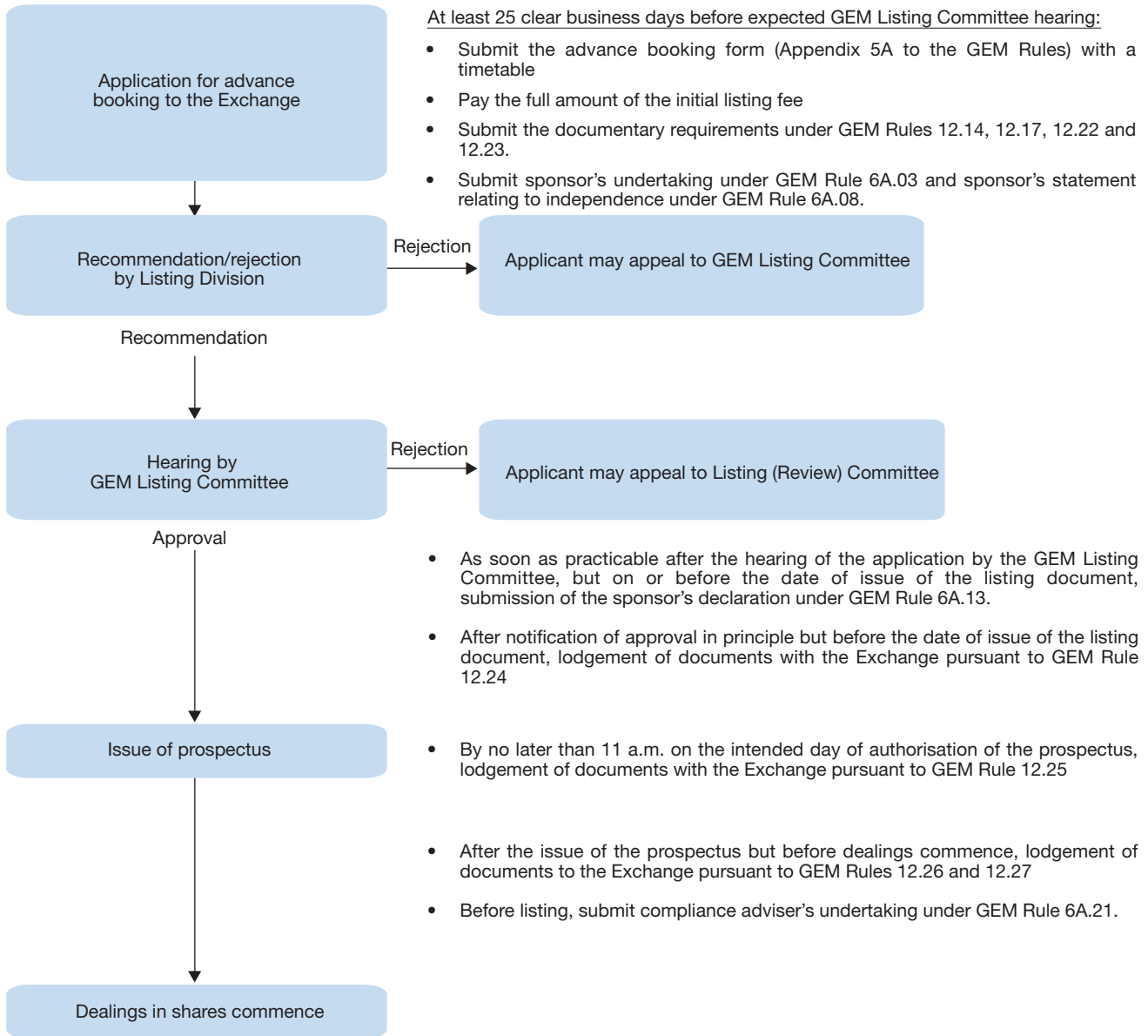
### Main Board

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



# GEM

The following chart sets out the process for a listing application on GEM:



Note 1: “Business days” means securities trading days of the Exchange

Note 2: The actual processing time varies significantly from case to case depending upon such factors as the size of the applicant’s operations, complexity of issues, sufficiency of preparation on the part of the applicant and its professional advisers and of the latter’s due diligence work.

# Section VI

## About HKEx

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### **Mission**

The mission of Hong Kong Exchanges and Clearing Limited (“HKEx”) is to operate a world-class marketplace for Hong Kong and Mainland China securities and derivatives products. By offering access to international capital markets for issuers and an open, secure, fair, orderly, efficient and transparent marketplace for investors, issuers and intermediaries, HKEx contributes to Hong Kong’s status as an international financial centre and the premier capital market for China.

### **Status**

HKEx is the holding company of The Stock Exchange of Hong Kong (the “Exchange”), The Futures Exchange of Hong Kong and their associated clearing houses. HKEx listed on the Exchange on 27 June 2000.

### **Securities Market**

HKEx’s Exchange operates two trading platforms of the securities market, namely the Main Board and the Growth Enterprise Market (“GEM”). Both markets adopt a disclosure-based regulatory regime in which listed issuers are required to make timely disclosure of price-sensitive information to help investors make informed investment decisions. The Main Board is a market for capital formation by established companies with a profitable operating track record or companies meeting alternative financial standards to profit requirement. GEM is an alternative market established in November 1999 to provide capital formation opportunities for growth companies from all industries and of all sizes.

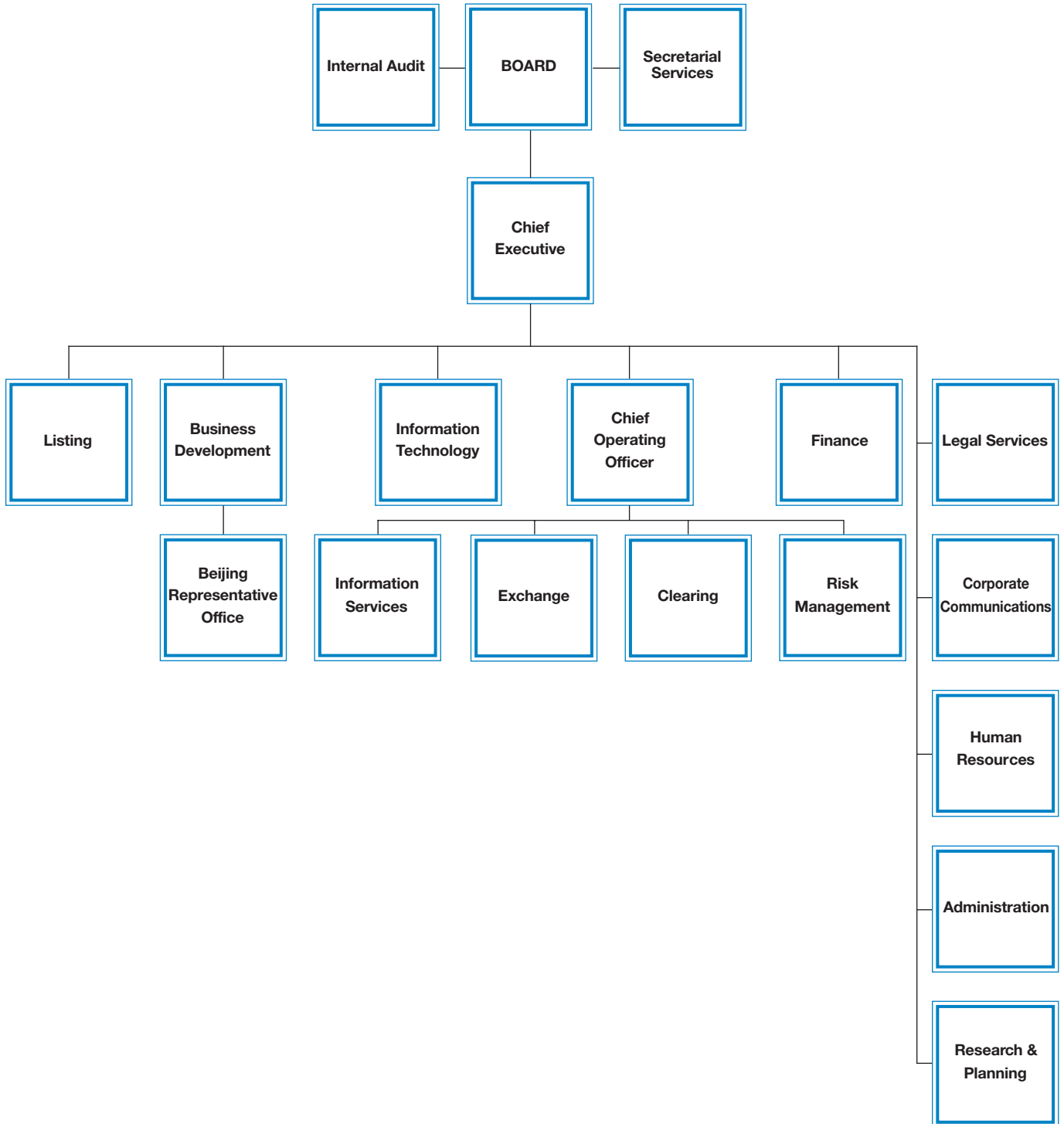
HKEx provides a comprehensive range of pre- and post-trade investment services as well as information services. Investors can trade a comprehensive range of securities products on the Exchange, including equities, warrants, debt securities, exchange-traded funds, unit trusts/mutual funds and equity linked instruments.

### **China Dimension**

HKEx is a premier choice for Mainland enterprises seeking overseas listing. The first listing of H shares of a Chinese state enterprise in Hong Kong in 1993 sparked off waves of large scale capital formation by Mainland enterprises in the Hong Kong securities market. Since then, a close relationship emerged between Mainland businesses and the Hong Kong market, a relationship that is reflected in the Hong Kong market’s fund raising track record.

HKEx opened its Beijing Representative Office in November 2003 under the Mainland and Hong Kong Closer Economic Partnership Arrangement. The Beijing Office serves a channel to strengthen HKEx’s communication and cooperation with government departments and institutions on the Mainland. In mid-2004, HKEx also stationed representatives in Guangzhou and Shanghai to further strengthen ties with the Mainland. The move will allow HKEx to better capture the robust economic growth of the Mainland China.

## Organisational Structure





# Useful Contacts

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For inquiries relating to an application for listing on the Exchange, please contact:

## Hong Kong Exchanges and Clearing Limited

### Issuer Marketing Division

Address: 10/F, One International Finance Centre  
1 Harbour View Street, Central, Hong Kong  
Tel: (852) 2840 3780  
Fax: (852) 2530 2858  
Email: imd@hkex.com.hk

### Beijing Representative Office

Address: Suite 1002, Tower W2, Oriental Plaza  
No. 1, East Chang An Ave., Dong Cheng District, Beijing  
Post Code: 100738  
Tel: (8610) 8518 3088  
Fax: (8610) 8518 3288  
Email: bjo@hkex.com.hk

### Shanghai Special Representative of Beijing Representative Office

Address: Room 012, 14/F, HSBC Tower  
1000 Lujiazui Ring Road  
Pudong New Area, Shanghai  
Post Code: 200120  
Tel: (8621) 6841 1782  
Fax: (8621) 6841 0938

### Guangzhou Special Representative of Beijing Representative Office

Address: Room C, 12/F, Guangdong International Building, Annex A  
339 Huan Shi Dong Lu, Guangzhou  
Post Code: 510098  
Tel: (8620) 2237 3166  
Fax: (8620) 2237 3167

Please also refer to the website of HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) for more information about listing on the Exchange.

