



**Фокус на Азию: ожидания инвесторов,
сопровождение и механизмы
защиты инвестиций**

**Asia Focus: Investors' Expectations,
Protection and Investment Support**

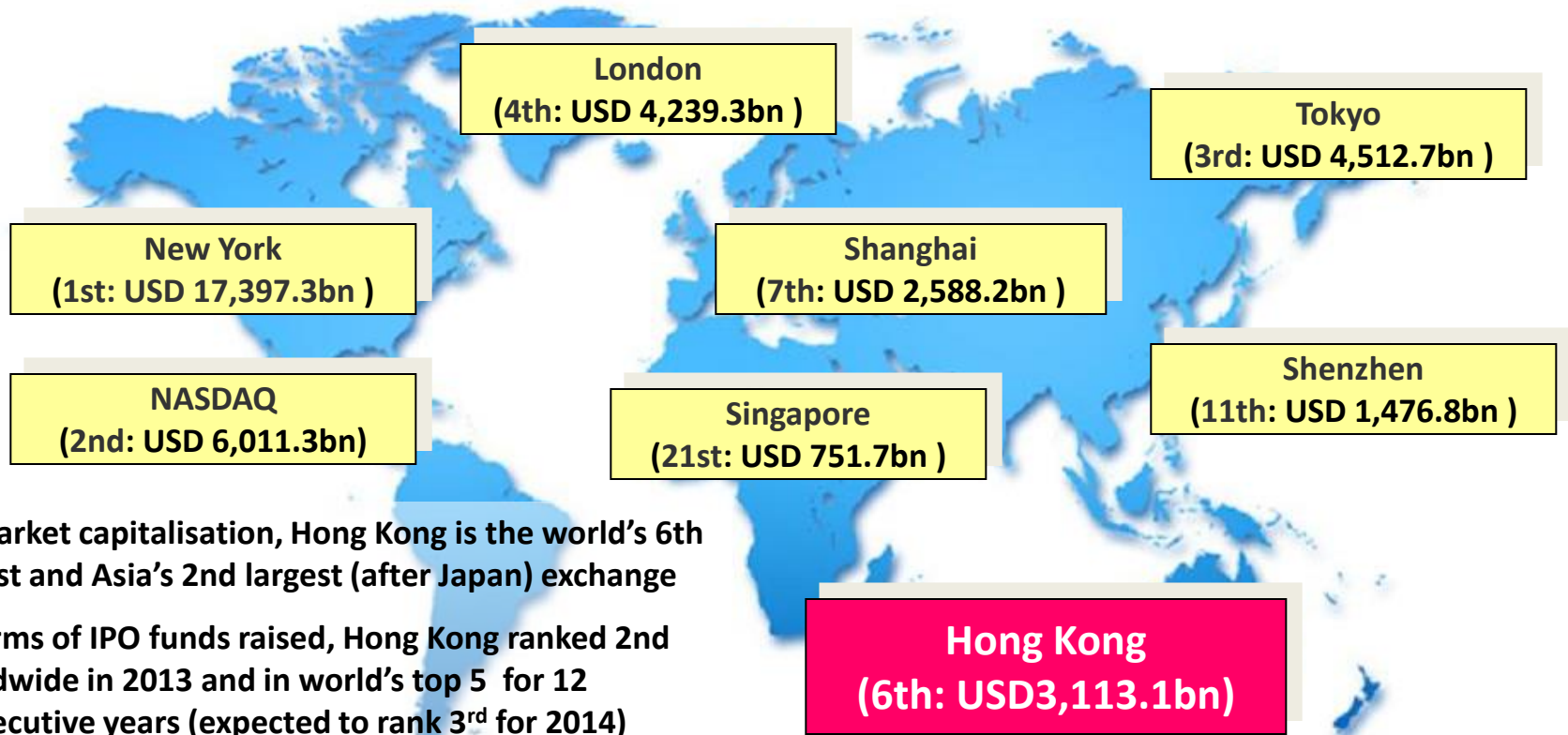
▶ Listing on the Hong Kong Stock Exchange



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▶ Hong Kong – a leading international market



By market capitalisation, Hong Kong is the world's 6th largest and Asia's 2nd largest (after Japan) exchange

In terms of IPO funds raised, Hong Kong ranked 2nd worldwide in 2013 and in world's top 5 for 12 consecutive years (expected to rank 3rd for 2014)

Source: World Federation of Exchanges (as at end of November 2013), Hong Kong Exchange and Clearing Limited

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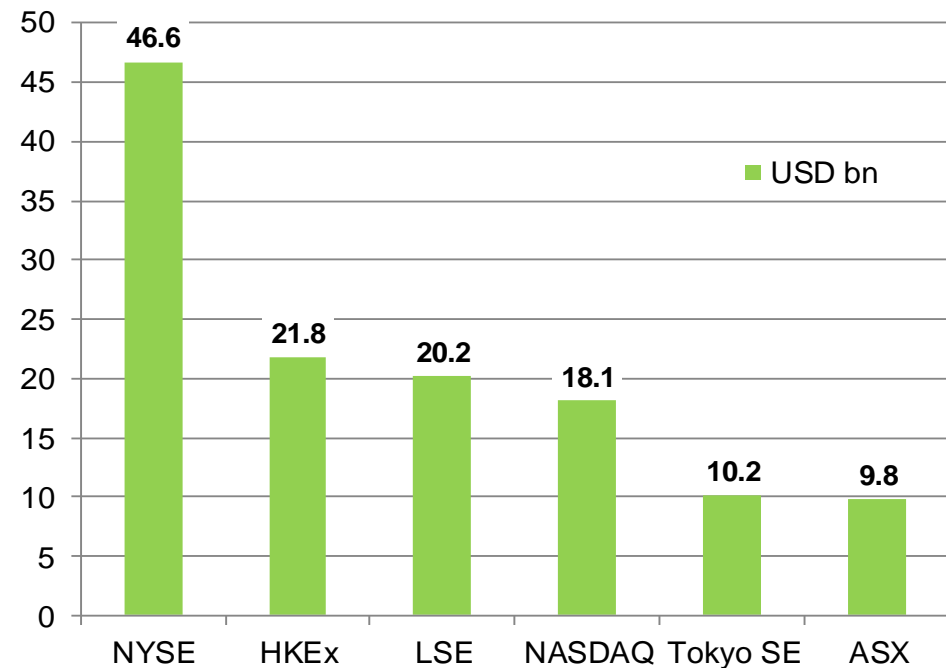
Benefits of listing on Hong Kong Stock Exchange (HKEx)

- ❖ HKEx - international exchange allowing full access to international investors and listing of foreign companies which meet its requirements
- ❖ Strategic position as gateway between Mainland China and rest of the world
- ❖ International listing venue of choice for Mainland China companies
- ❖ Increasing number of overseas companies listed on HKEx in recent years
- ❖ Number of companies listed on HKEx at end Aug 2014 = **1,716**
 - **1,509** on the Main Board and
 - **207** on the Growth Enterprise Market (**GEM**)
- ❖ Deep primary and secondary market liquidity
 - **110 new listings** in 2013 raised **HKD 168.9 billion** (up 85% from 2012)
 - **1st 8 months 2014 – 84 new listings*** on HKEx raised **HK\$126.4 billion** (up **127%** compared to same period in 2013)
 - * includes transfers from the Main Board to GEM
 - Equity funds raised by listed cos post-IPO in 2013 = **HK\$209.9 billion**
- ❖ **Ernst & Young** predict **HK\$99.3 billion** of IPOs in 2nd half of 2014 and HKEx to rank 3rd for IPO fundraising in 2014 (after NYSE and Nasdaq)

Why List in Hong Kong?

- ▶ No. 1 International Financial Centre in Asia
- ▶ Access to Mainland Chinese investors currently through Qualified Domestic Institutional Investor programme
- ▶ October 2014 launch of Shanghai-Hong Kong Stock Connect will allow Mainland Chinese investors to invest directly in HK listed stocks for 1st time. Expected to broaden investor base and add liquidity to HK market adding momentum to the market

IPO Funds Raised (2013)



Gateway to China: Shanghai-Hong Kong Stock Connect

- October 2014 launch of Shanghai-Hong Kong Stock Connect pilot programme will allow HK and Mainland Chinese investors to trade shares listed on the other market via the exchange/clearing house in their local market
- **South-bound trading** – will allow Mainland investors to trade following shares listed on HKEx:
 - constituent stocks of Hang Seng Composite LargeCap and MidCap Indexes; and
 - all H-shares with corresponding A shares listed on Shanghai Stock Exchange (**SSE**)
- **North-bound trading** – will allow HK investors to invest in:
 - constituent stocks of SSE 180 and 380 Indexes; and
 - SSE-listed A shares that have corresponding H shares listed on HKEx
- Trading subject to **Aggregate and Daily Quotas**

	Aggregate Quota	Daily Quota
Northbound Trade	RMB 300 billion	RMB 13 billion
Southbound Trade	RMB 250 billion	RMB 10.5 billion

- Quotas apply on “**net buy**” basis: cross-boundary sales allowed regardless of quota balance
- Mainland investors restricted to institutional investors and individuals holding RMB500,000 in cash & securities
- All HK and overseas investors eligible for North-bound trading
- Scheme may be expanded in future

Benefits of HK listing (Cont'd)

- ❖ Established legal system based on English common law + regulatory framework = investor confidence
- ❖ Numerous tax advantages, currency convertibility, free transferability of securities and no restrictions on capital flow
- ❖ Opportunities for overseas cos to raise profile and visibility in China and Asia-Pacific region
- ❖ Branding opportunities for companies in the luxury goods sector – attracted listings of high profile companies such as Prada, Coach, Inc., L'Occitane and Samsonite
- ❖ China's position as a major consumer of energy, minerals & metals has attracted mining & natural resource companies
 - e.g. Swiss commodities giant Glencore International AG, Russia-based United Company Rusal PLC, Kazakhstan copper miner Kazakhmys PLC and Brazilian metals and mining company Vale S.A.
- ❖ Vale S.A = 1st overseas company to list on HKEx in form of Hong Kong Depositary Receipts (HDRs). HDR listings allowed on Main Board (but not GEM)

Overseas listings

Issuer	Country of Operations/Headquarters	Country of Incorporation	Sector	Year of Listing	Funds Raised (HK\$ billion)
Glencore International plc	Headquartered in Switzerland	Jersey	Natural Resources	May 2011	77.75
RUSAL	Russia	Jersey	Natural Resources	January 2010	17.39
Mongolian Mining Corporation	Mongolia	Cayman Islands	Natural Resources	October 2010	5.81
PRADA SpA	Italy	Italy	Luxury	June 2011	19.23
Samsonite International SA	Headquartered in United States	Luxembourg	Luxury Goods	June 2011	10.09
L'Occitane	France	Luxembourg	Luxury Goods	May 2010	5.5
SECONDARY LISTINGS BY WAY OF INTRODUCTION					
Vale SA (HDR Listing)	Brazil	Brazil	Natural Resources	December 2010	
Kazakhmys PLC	Kazakhstan	United Kingdom	Natural Resources	June 2011	
Coach, Inc (HDR Listing)	United States	United States	Luxury Goods	December 2011	

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Hong Kong's markets

- ❖ **Main Board** – caters for established companies able to meet its profit or other financial standards
- ❖ **Growth Enterprise Market (“GEM”)** – caters for smaller growth companies, has lower admission criteria and acts as a stepping stone to the Main Board
- ❖ The post-listing obligations of GEM and Main Board companies are broadly similar. Key difference - quarterly reporting is mandatory for GEM companies but only recommended for Main Board companies

Key Requirements for MB listing

a) Suitability for listing

- Must satisfy Exchange that applicant and its business are suitable for listing

b) Operating History and Management

- A Main Board applicant must have a trading record period of, and management continuity for, at least **3 financial years** and **ownership continuity and control** for at least the **most recent audited financial year**

Exceptions:

- Under the market capitalisation/ revenue test, the Exchange may accept a shorter trading record period under substantially the same management if the new applicant can demonstrate that:
 - 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
 - management continuity for the most recent audited financial year

Key Requirements for MB listing (Cont'd)

c) Financial Tests – Applicants must meet one of the three financial tests:

	1. Profit Test	2. Market Cap/Revenue Test	3. Market Cap/Revenue/Cashflow Test
Profit	At least HK\$50 million in the last 3 financial years (with profits of at least HK\$20 million recorded in the most recent year, and aggregate profits of at least HK\$30 million recorded in the 2 years before that)	-	-
Market Cap	At least HK\$200 million at the time of listing	At least HK\$4 billion at the time of listing	HK\$2 billion at the time of listing
Revenue	-	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	-	-	Positive cashflow from operating activities of at least HK\$100 million in aggregate for the 3 preceding financial years

- ❖ For both Tests 2 & 3, only revenue from **principal activities** (not revenue from incidental activities) will be recognised. Revenue from “book transactions” is disregarded

Key Requirements for MB listing (Cont'd)

Financial Requirement Waivers for Mineral Companies

- ❖ New applicant Mineral Companies can obtain a waiver from the financial tests if their directors and senior management together have **> 5 yrs'** experience relevant to the exploration and/or extraction activity that Mineral Company is engaged in. Details of such experience must be included in the listing document
- ❖ Pre-production stage companies seeking a waiver must be able to show a clear path to commercial production

Waivers for non-Mineral Companies

- ❖ Exchange may also accept a shorter trading record period and/or may vary or waive the financial standards requirements for:
 - newly formed “project” companies (for example a company formed to construct a major infrastructure project); or
 - in exceptional circumstances, if the applicant or its group has a trading record of at least 2 financial years and the Exchange is satisfied that the applicant’s listing is in the interests of the applicant and its investors

Key Requirements for MB listing (Cont'd)

d) Shares in public hands

- ❖ At least **25%** of applicant's total share capital having a market capitalisation at listing of **at least HK\$50 million** must be held by the public
- ❖ If listing applicant has more than 1 class of securities, the total securities held by the public **on all regulated market(s) including the Exchange** must be **at least 25%** of the issuer's total issued share capital. The class of securities for which listing is sought must not be **less than 15%** of the issuer's total issued share capital, having an expected market capitalisation of **at least HK\$50 million**
- ❖ The Exchange may, at its discretion, accept a lower percentage of between 15% and 25% for issuers with an expected market capitalisation at listing of **> HK\$10 billion**

e) Minimum number of shareholders

- Minimum number of shareholders at listing - 300
- Not more than 50% of the publicly held shares can be beneficially owned by the 3 largest public shareholders

Key Requirements for GEM listing

a) Operating History and Management

GEM applicant must have:

- a trading record period of, and management continuity for, at least **3 financial years** and
- **ownership continuity and control** for at least the **most recent audited financial year**

b) Financial Requirements

- Positive **cash flow** from operating activities of at least **HK\$20 million** for 2 financial years before listing and
- **Market capitalisation** of at least **HK\$100 million** at listing

c) Public Float

- **25%** of total issued share capital with market cap of **HK\$30 million** must be publicly held at listing (Exchange has discretion to accept lower public float for issuers with market cap over HK\$10 billion)

d) Number of Shareholders

- At least **100** public shareholders: Largest 3 cannot hold more than 50% of publicly held securities



Eligibility of Overseas Listing Applicants for HK listing

- ❖ Listing Rules provide for listing of companies incorporated in Hong Kong, the PRC, the Cayman Islands and Bermuda (**Recognised Jurisdictions**)
- ❖ Exchange has also accepted companies from **21** other jurisdictions (**Acceptable Jurisdictions**) for listing:

Australia, Brazil, the British Virgin Islands, Canada (Alberta), Canada (British Columbia), Canada (Ontario), Cyprus, France, Germany, Guernsey, the Isle of Man, Italy, Japan, Jersey, the Republic of Korea, Labuan, Luxembourg, Singapore, the United Kingdom and the states of California and Delaware in the United States of America

- ❖ Exchange/SFC Joint Policy Statement Regarding the Listing of Overseas Companies sets out criteria for acceptance of overseas listing applicants
- ❖ Key requirements relate to:
 - shareholder protection standards and
 - regulatory co-operation arrangements between statutory securities regulator(s) in the applicant's jurisdiction of incorporation and its place of central management and control (if different) and Hong Kong's Securities and Futures Commission (SFC)

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Eligibility of Overseas Listing Applicants (Cont'd)

❖ Equivalent Standards of Shareholder Protection to Hong Kong

Applicants incorporated in a jurisdiction new to listing must demonstrate how the laws and regulations of their country of incorporation, their constitutional documents and the arrangements they adopt as a whole meet the key shareholder protection standards set out in the Joint Policy Statement

❖ Regulatory Cooperation Arrangements

Statutory securities regulator in listing applicant's (a) jurisdiction of incorporation and (b) 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 (the "IOSCO MMOU"); or
 - have entered an appropriate bi-lateral agreement with the SFC providing adequate arrangements for mutual assistance and exchange of information
- ❖ Russia - **not** yet accepted as an Acceptable Jurisdiction for incorporation of listing applicants because it is not a signatory to the IOSCO MMOU and there is no bi-lateral arrangement on regulatory cooperation between Hong Kong and Russia
- ❖ 2 Russian-based companies listed in Hong Kong: Rusal and IRC Limited - neither is incorporated in Russia. Rusal = Jersey co and IRC Limited = HK co

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