

Our experience

Accessing the Hong Kong capital market

Agenda

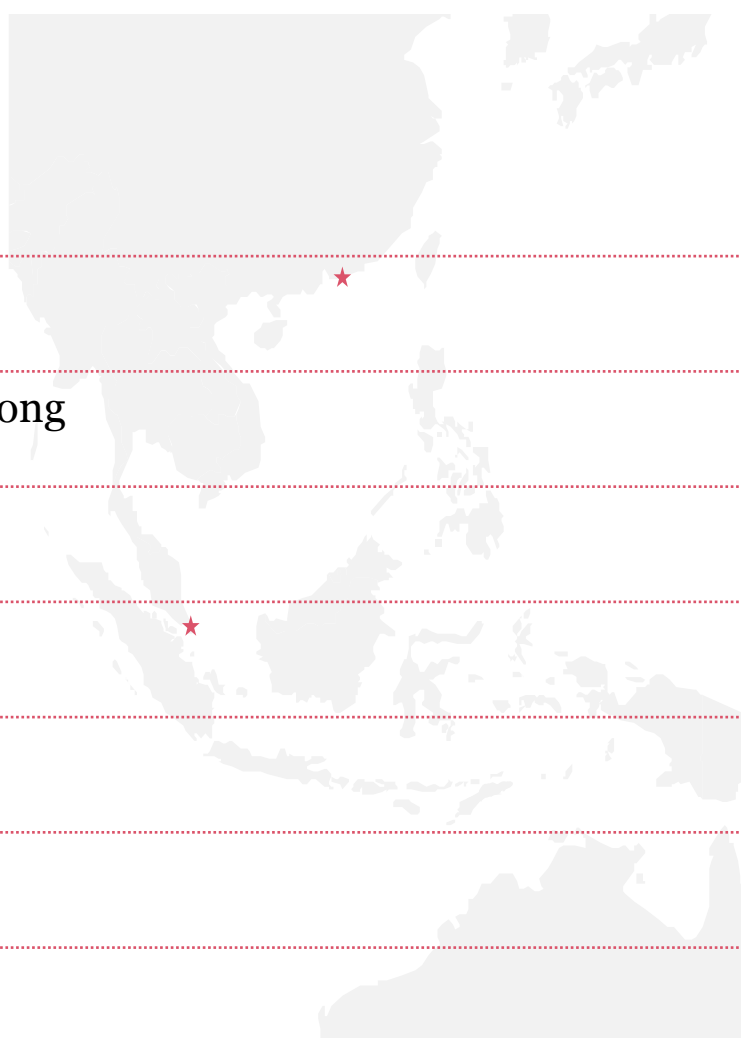
1. Our experience

2. Comparison of Singapore and Hong Kong

3. Listing methods and requirements

4. Key issues

5. How PwC can help



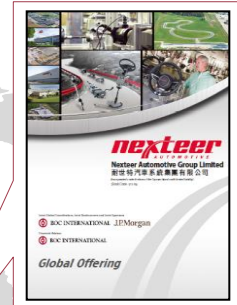
Our experience



1

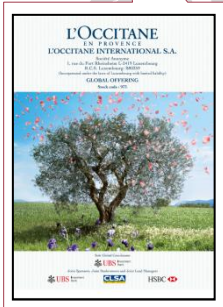
PwC's Cross Border IPO experience

Logistics

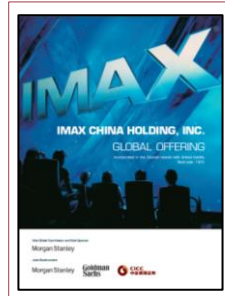


Consumer

Automotive



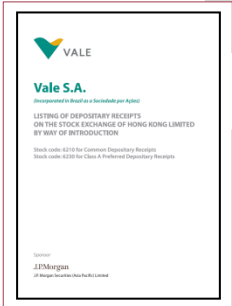
Retail



Entertainment



Entertainment

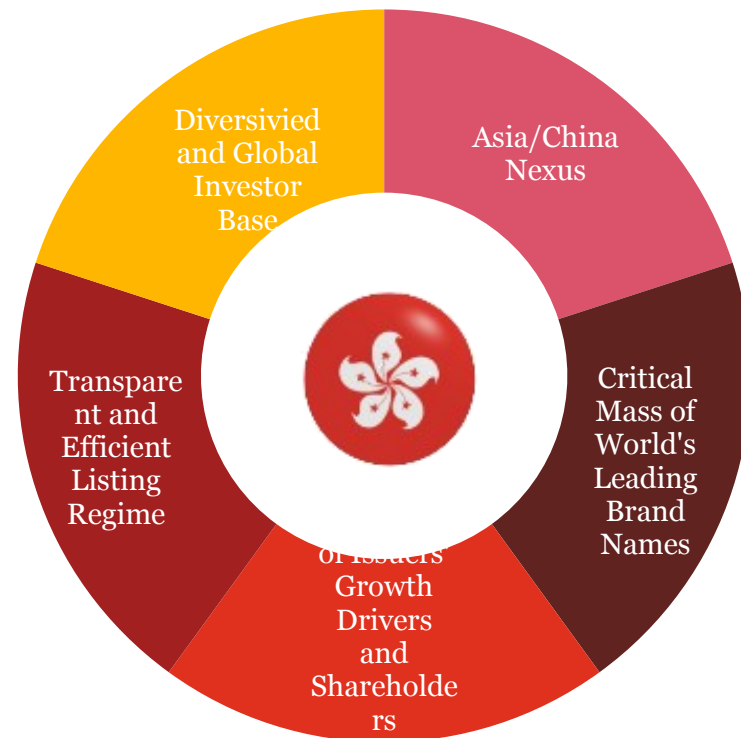


Mining



Mining

Our experience – why chose Hong Kong?



Comparison of Hong Kong and Singapore



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Singapore mainboard eligibility requirements



	Criteria 1	Criteria 2	Criteria 3
Income	<ul style="list-style-type: none"> Cumulative consolidated pre-tax profit of at least S\$7.5m (US\$5.6m) for the last 3 years Pre-tax profit of at least S\$1m (US\$0.75m) in each of those 3 years 	<ul style="list-style-type: none"> Cumulative consolidated pre-tax profit of at least S\$10m (US\$7.5m) for the last 1 or 2 years 	N/A
Market capitalisation	N/A	N/A	At least S\$80m (US\$60m) at the time of the initial public offering, based on the issue price and post invitation issued share capital
Shareholding spread	<ul style="list-style-type: none"> Market capitalisation less than S\$300m (US\$225m) : 25% of enlarged share capital in public hands Market capitalisation between S\$300m and S\$400m (US\$300m) : 20% of enlarged share capital in public hands Market capitalisation between S\$400m and S\$1bn (US\$750m) : 15% of enlarged share capital in public hands Market capitalisation more than S\$1bn : 12% of enlarged share capital in public hands 		
No. of shareholders	<ul style="list-style-type: none"> At least 500 		
Directors and management	<ul style="list-style-type: none"> At least 2 non-executive directors who are independent and free of any material business or financial connection with the issuer A foreign issuer must have at least two independent directors, resident in Singapore Audit committee is required 		

Hong Kong mainboard eligibility requirements

	Criteria 1	Criteria 2	Criteria 3
Profit/Revenue/ Market capitalisation	<ul style="list-style-type: none"> Profit of at least HK\$20 m (US\$2.6 m) for the most recent financial year; and Profit of at least HK\$30 m (US\$3.8 m) for the 2 preceding financial years; and Market cap of at least HK\$200 m (US\$26 m) 	Market cap / Revenue / Cash flow test <ul style="list-style-type: none"> Market cap of at least HK\$2 billion (US\$256 m); and Revenue of at least HK\$500 m (US\$64 m) for the most recent financial year; and Positive operating cash flows of at least HK\$ 100 m (US\$13 m) in aggregate for 3 financial years 	Market cap / Revenue test <ul style="list-style-type: none"> Market cap of at least HK\$4 billion (US\$513 m); and Revenue of at least HK\$500 m (US\$64 m) for the most recent financial year
Shareholding spread	<ul style="list-style-type: none"> Minimum public float of at least 25%; or 15 to 25% if market capitalisation is over HK\$10 billion (eq. US\$1.3 billion) 		
No. of shareholders	<ul style="list-style-type: none"> At least 300 		
Directors and management	<ul style="list-style-type: none"> Under substantially same management over the past 3 financial years Ownership continuity and control for at least the most recent financial year Three independent non-executive directors, including one with accounting or related financial management expertise Competing businesses of controlling shareholders or directors may be allowed - full disclosure is required Audit committee is required 		

Comparison of Singapore and Hong Kong market structures



	Singapore Main Board	Hong Kong Main Board
Eligibility	<i>Same business and management throughout the period for which profit test applies</i>	<i>Ownership continuity and control for at least the most recent audited financial year; management continuity for at least three years</i>
Minimum market cap	<i>SG\$150m (if profits) (US\$107m) SG\$300m (if no profits) (US\$213m)</i>	<i>HK\$200m (US\$26m)</i>
Minimum public float	<i>25%</i>	<i>25%</i>
Minimum retail offering	<i>-</i>	<i>10%</i>
Filing of draft prospectus	<i>Private</i>	<i>Public</i>
Regulatory review	<i>SGX (and MAS)</i>	<i>Hong Kong Stock Exchange (and Securities and Futures Commission)</i>
Filing language	<i>English</i>	<i>English and Chinese</i>

Listing methods and requirements



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Listing Modes for Overseas Companies

- **Primary Listing**

- Full compliance with Listing Rules
- Can be in the form of Shares or Hong Kong Depositary Receipts (HDR)
- Shares are traded in Hong Kong Dollars; HDR can be traded in Hong Kong Dollars or US Dollars
- Financial statements (Accountant's Report) be prepared in IFRS or HKFRS
- Financial statements (Accountant's Report) be audited by Hong Kong Certified Public Accountants ("HKCPA")

- **Secondary Listing**

- Similar requirements like primary listings, but reasonable waivers may be granted
- Can be in the form of Shares or Hong Kong Depositary Receipts (HDR)
- Shares are traded in Hong Kong Dollars; HDR can be traded in Hong Kong Dollars or US Dollars
- Overseas companies should have a primary listing on an overseas exchange where the standards of shareholder protection are equivalent to those in Hong Kong
- US GAAP is allowed
- Presently, there are only a few secondary listings; there is an increasing trend, especially for foreign companies
- Financial statements may be audited by international and reputable CPA, subject to HKEx's waiver

Key Hong Kong IPO financial requirements

Audited financial track record

- 3 years (<6 months old)
- IFRS or HKFRS

Profit forecast

- Submitted to HKEx as part of review process
- Optional to include in prospectus

Working capital statement

- Covers 12 months from date of prospectus
- Must be reported on by reporting accountant

Internal control due diligence

- Sponsor/Company engage auditor to report on internal controls
- Significant piece of work
- All material issues must be addressed prior to filing listing application

Pros and cons for a secondary listing

Pros

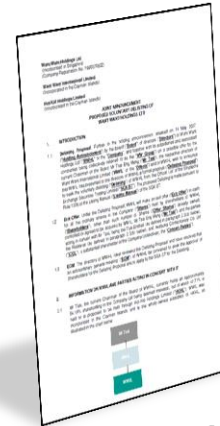
- More flexible regime allows for waivers to be granted from certain listing rule requirements for issuers seeking a secondary listing
- Companies with an existing listing can file their listing application confidentially
- HKEx review comments are confidential
- Can use existing financial information with minimal or no additional audit work
- Can use Singapore FRS and Singapore auditing standards
- Similar rule-based regime with some other markets
- Lead time to market likely to be shorter

Cons

- Certain waivers only available to those companies without a nexus in Greater China
- May be required to complete dual primary listing rather than secondary listing
- Dual language reporting regime (English and Chinese)
- Sponsor regime requires detailed due diligence to be performed prior to submission of listing application
- Status as “secondary listing” at risk if level of trading in Hong Kong becomes greater than overseas

Our experience with SGX companies listing in Hong Kong

- Generally dual primary listings due to “China nexus”
- Usual practice is for listing by introduction which reduces execution risk
- Relatively straightforward process due to comparable auditing and accounting standards
- Still need to do due diligence even if already listed...
- Some SGX companies have gone private and then applied for listing on HKEx



Key issues



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Key issues experienced by overseas companies

Corporate reorganisation/shareholder structure

Underestimating resources required for financial work streams

Having sufficient and reliable information for MD&A

Time required for sponsor due diligence

Regulatory review process

Our recommendations

Be prepared – know and understand the requirements for listing and post listing for your chosen listing venue

Contracts – ensure your business has adequate supporting documentation to survive the due diligence process from regulators and underwriters

Experience – NEDs are crucial to success; get trusted, experienced NEDs onboard early

Competitors – know your competition, know what made their listings a success/failure

Our recommendations

Advisors – credible advisors are key to success in IPOs

Go the extra mile – adopt listing standards of compliance and financial management early to ensure smooth process and secure better valuations

Timing – be patient and approach the market at a good time for the market; don't push too early

Commitment – be prepared to spend time with international investors on an ongoing basis; shareholder dialogue is a key concern for international investors, especially for Asian companies

How PwC can help



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How PwC can help

We can assist in a number of ways:

Pre-float

- IPO diagnostic
- Choice of market
- Strategy & investor story
- Listing eligibility considerations
- Transaction structuring, including tax & legal
- Financial reporting procedures and controls
- Advice on complex accounting issues & IFRS conversions
- Corporate Governance
- Employee incentives

Flotation

- Assistance in performing independent due diligence (e.g. site visits)
- Assistance in preparation of financial forecasts and working capital models
- Regulatory issues
- Assistance in establishing investor relations/ communications
- Support with preparation of prospectus
- Project management

Post-float

- Management training and development
- Corporate Governance effectiveness and controls optimisation
- Advice on managing reporting requirements of a listed company
- Improving transparency of information

- **We bring a deep bench of expertise**, including accounting, tax, internal controls, sector expertise and local capital markets knowledge in Singapore and Hong Kong
- Taking the right preparatory steps now will greatly enhance the execution of the IPO and reduce execution risk

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