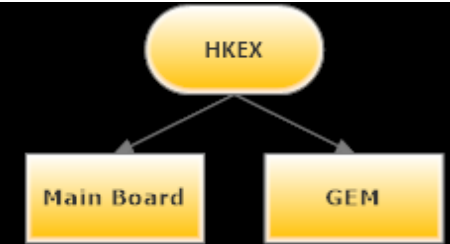


17 NOVEMBER 2015

Listing in HK – Practical Considerations

LAI Voon Keat

Two markets



Main Board

- HKD20m profit (last FY) + HKD30m aggregate profit (2FYs before that) + Market Cap HKD200m (on listing)
- Revenue HKD500m (most recent FY) + Market Cap HKD4b (on listing)
- Revenue HKD500m (most recent FY) + Operating Cash flow HKD100m (last 3FYs) + Market Cap HKD2b (on listing)

GEM

- Operating Cash flow (EBDITDA) HKD20m (last 2FYs) + Market Cap HKD100m (on listing)

Dual primary listing on HKEX



Must comply with majority of LR requirements

- Some waivers granted under the Joint Policy Statement (Sept 2013)

Must have sufficient public float (on a global basis)

- Issues for some SGX-Catalist companies?

Why dual-list?

- Access to a more diverse investor base
- Broader exposure to the Asian capital market and closer to China market
- Higher corporate profile
- Increased liquidity [?]

Secondary listings on HKEX



If already listed elsewhere, can apply for secondary listing on HKEX. However, permitted only if:

- Comparable standards of shareholder protection in the overseas jurisdiction
- Regulatory cooperation arrangements in place between the SFC and the application's place of incorporation and place of management and control
- Applicant does not have its "centre of gravity" in China

Waivers given from a number of key Listing Rules requirements but:

- Only applicable to large, established companies (Market Cap > USD400m)

May need to change to primary listing if most of its liquidity is derived from HK

Automatic waivers granted under the JPS for secondary listings

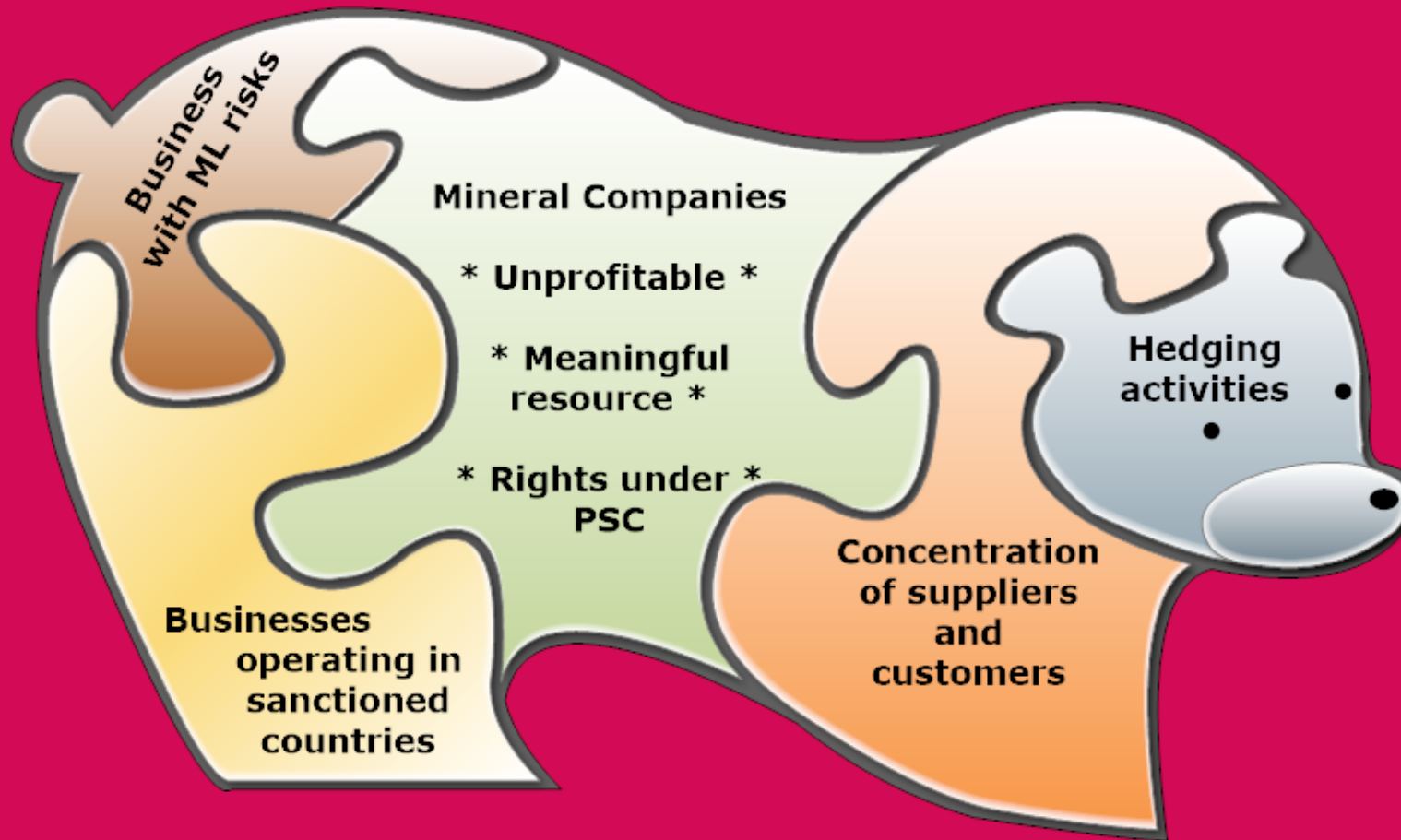


Specific issues to bear in mind

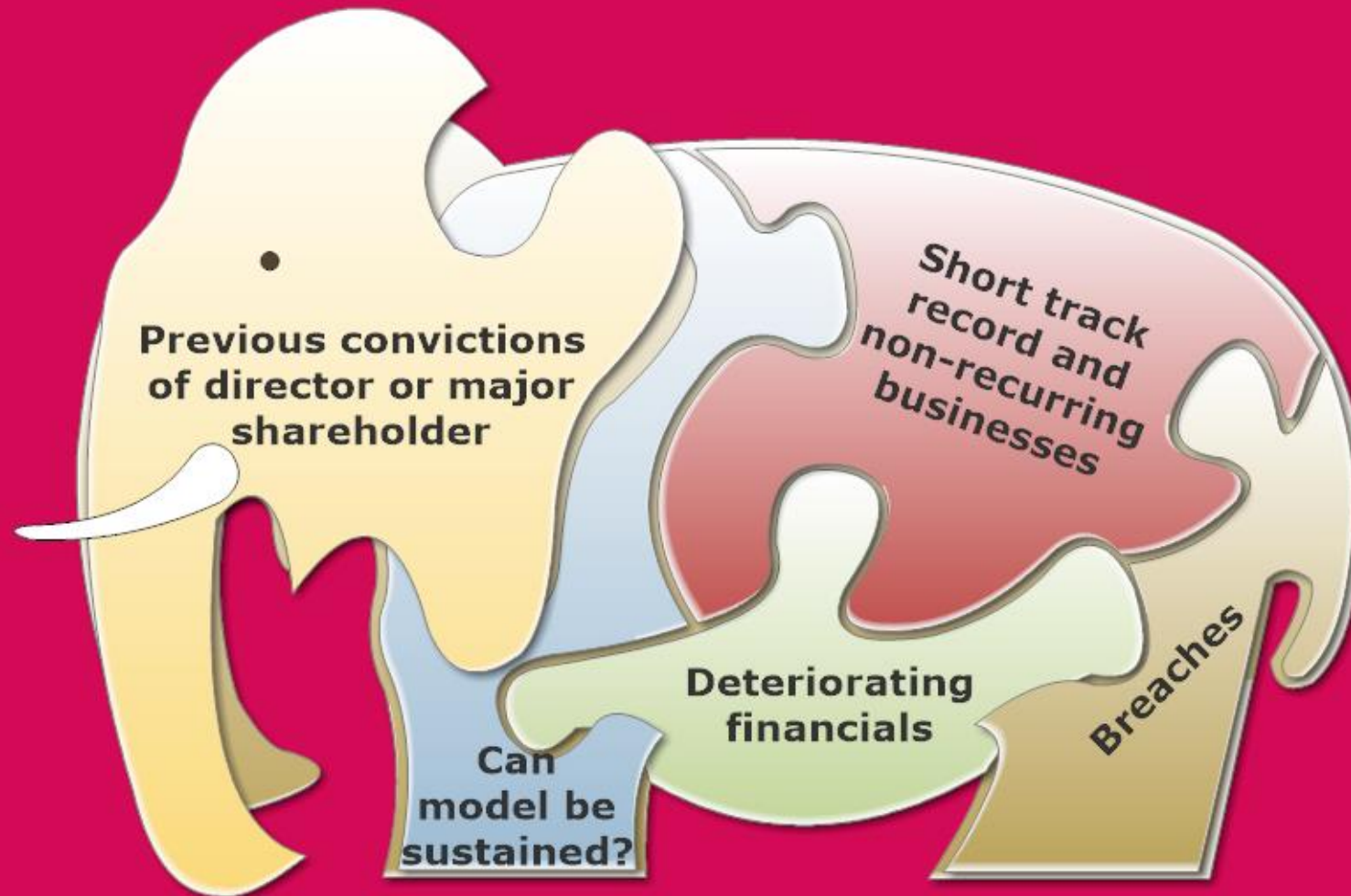
Most common issues revolve around:

- ❑ Suitability of business for listing
- ❑ Internal issues affecting suitability
- ❑ Ability to meet quantitative requirements – especially recognition of profit
- ❑ Management and shareholding continuity during TRP

Suitability of business for listing



Internal issues affecting suitability



The Problem with "Profit"



Income from "ordinary and usual course of business"

- Tax credit from bad debts, contract termination payments – OK.
- Credits from capital restructuring, discretionary grants/benefits – NOT OK
- Unrealised fair value gains – NOT OK unless...

Significant related party transactions

- No rule that RPTs must be disregarded but Company will not be suitable for listing if (i) a significant proportion of turnover/profit is derived from RPTs, and (ii) without the RPTs, the Company will not meet the profits requirement
- No bright line test. Above 20% is probably significant.

Profit from illegal activities

- Must be disregarded in calculating profits test.

Management and shareholding continuity



No single theme - each turns on its own facts

- For management continuity, it is essential to show that a group of individuals have managed after all the major functions of the Applicant during the 3FY prior to listing
- For shareholding continuity, it is essential to show that a single individual or a group of related individuals have control over the Applicant during the entire FY prior to listing

Can seek guidance from Listing Decisions and Guidance Letters

Competition and delineation



Normally a disclosure issue
BUT... HKEX may consider
competition to be extreme
so as to render a company
unsuitable for listing



Dual HK-SGX listing

Specific issues for consideration

Listing by introduction (1)



Prior Exchange approval:

- Demonstrate securities already widely held
- No marketing of securities in HK conditional upon listing in last 6 months

For dual-listing by introduction:

- Measures in place to ensure orderly, informed and fair trading
- Effective for 1 – 3 months (designated periods)
- Tried/approved methods:
 - Batch/expedited share removal services
 - Designated dealers (regulated by SFC) to providing arbitrating/bridging services
- Additional disclosures to educate investors

Listing by introduction (2)



New issue of shares

- Normally, no issue of shares within first six months of listing
- Waiver available if listing is by introduction subject to:
 - Controlling Shareholder will not be diluted so as to lose control
 - New issue is by way of general mandate or specific approval of shareholders
 - Issue is to fund a specific purpose

Accountants and accounting standards



Primary requirement:

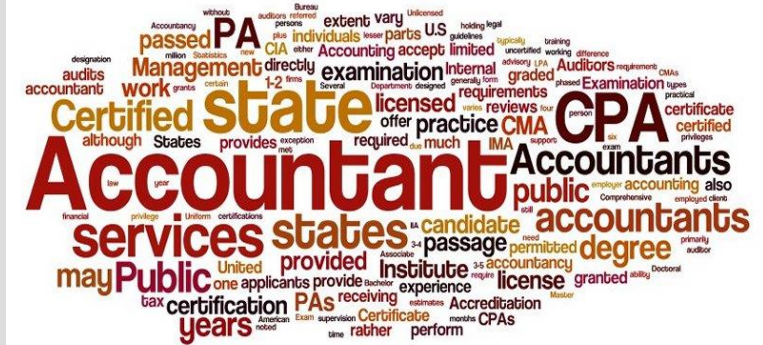
- HKFRS/IFRS
- Accountants qualified under PAO

Dual-listings of SGX companies:

- SFRS + IFRS reconciliation statement – OK
- Singapore auditor PLUS joint HK auditors from same firm – for IPO
- Singapore auditors – Post IPO

Secondary listing of SGX companies:

- May use listed historical figures and not prepare accountant's report



Common waivers for dual listings



Management presence

- Unless waived, there must be at least two executive directors in HK
- Waiver possible if measures are in place for Exchange to contact directors

Company secretary

- Be HK resident and a HK qualified company secretary, lawyer or accountant
- Waiver possible for joint company secretary based in Singapore

Disposal of shares by CS during lock-up period

- Non disposal of shares within first six months of listing
- Waiver available to facilitate liquidity for companies listed by introduction

On-going challenges for dual listed companies



Tangible connections with
China?

Higher costs?

Compliance overheads?

Splitting of liquidity?



Mirror mirror on the wall. What's lies over the wall?



Possible Options:

- Cancellation of SGX listing
- Transfer SGX primary listing to secondary listing
- GO – for remaining SGX shareholders

However, all these options have their challenges...



Considering a HK listing?



General embargo on
publicity in HK must be
RESPECTED



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