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Understanding the platforms of stock trading in Hong Kong: Main Board and Growth Enterprise Market

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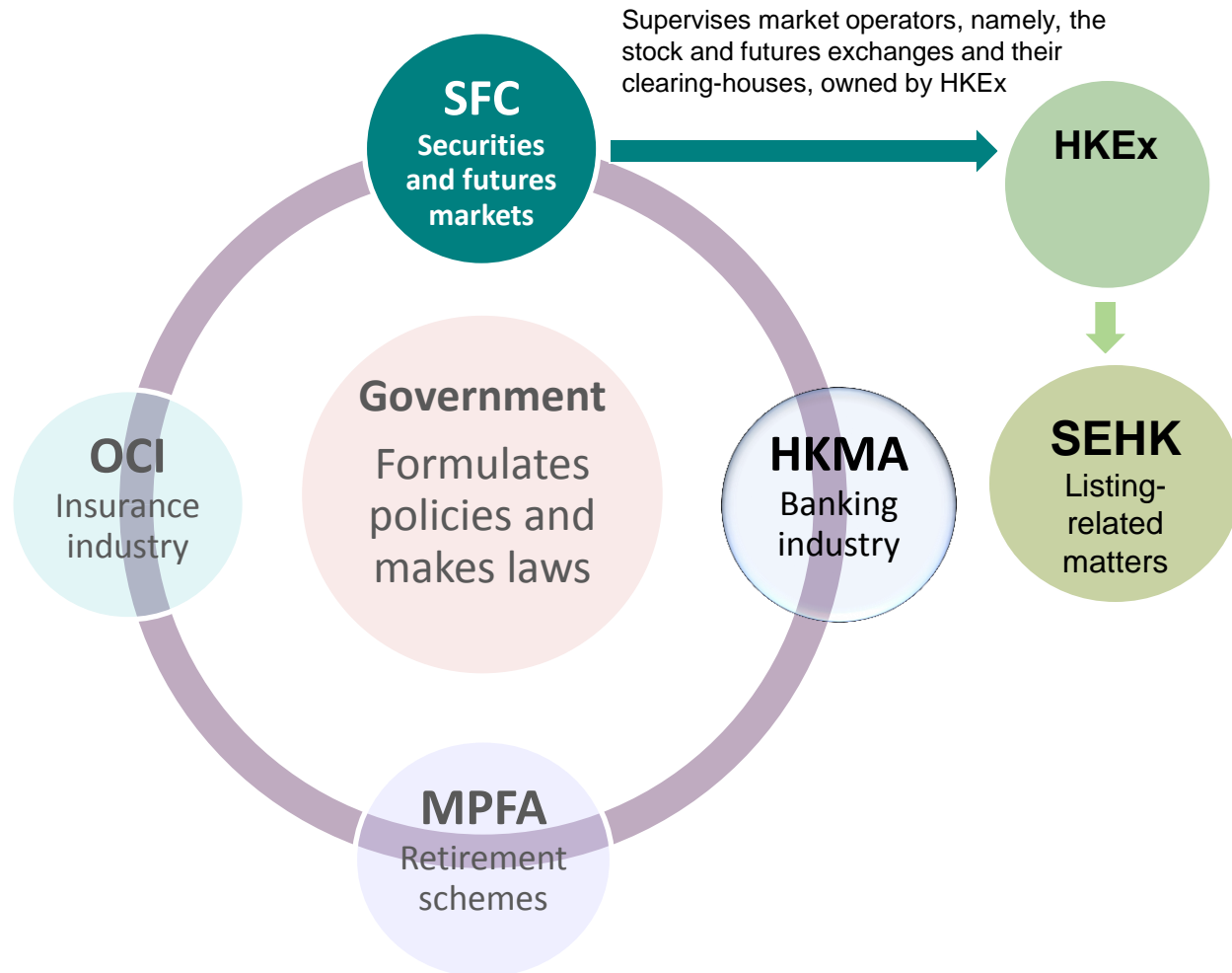
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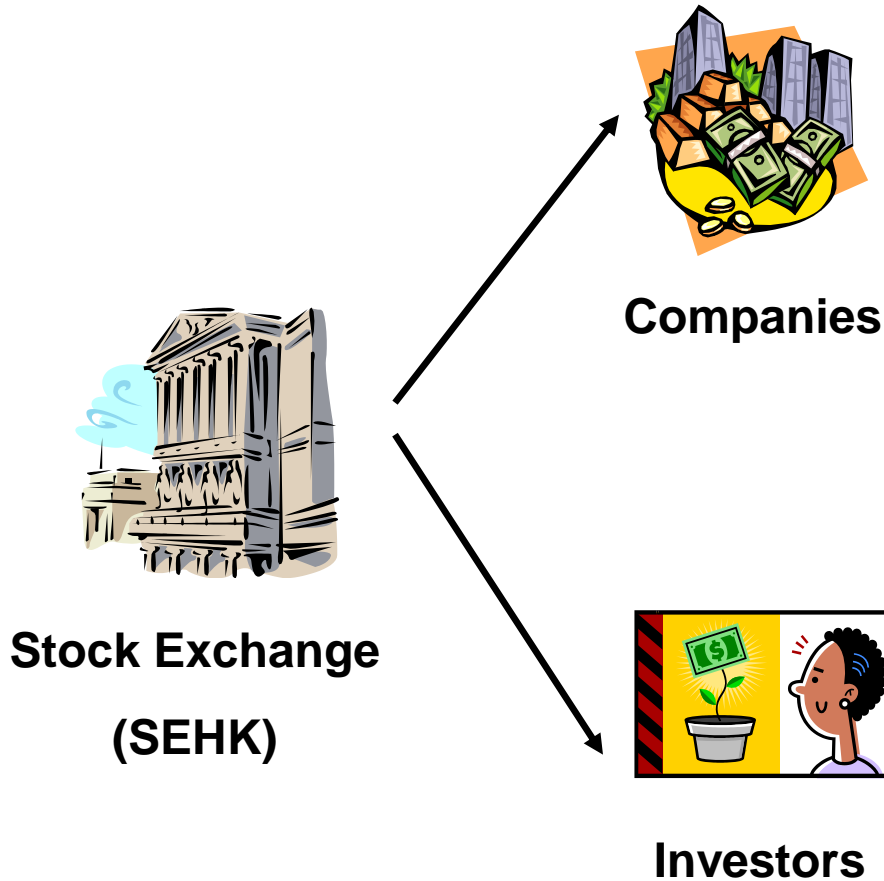
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Regulatory Structure



Stock Exchange of Hong Kong



- **Primary market**
 - Go public
 - A venue for raising funds
- **Secondary market**
 - An open and public market for exchanging stocks

Stock Exchange of Hong Kong

- There are two markets for listing on the SEHK



- **Main Board (主板):**

- For more established companies meeting certain levels of trading and profit records

- **Growth Enterprise Market (GEM) (創業板):**

- For growth companies that may not have a track record meeting the requirements for listing on Main Board

Key statistics of HK stock market – Main Board & Growth Enterprise Market (GEM)

| | Main Board (as of 31 Oct 2014) | GEM (as of 31 Oct 2014) |
|---|-----------------------------------|----------------------------|
| No. of listed companies | 1,528 | 201 |
| No. of listed H shares | 173 | 23 |
| No. of listed red-chips stocks | 127 | 5 |
| Total market capitalisation (Billion dollars) | HK\$25,140 | HK\$179 |

Source: Hong Kong Exchanges and Clearing Limited

Basic Listing Requirements for Equities

a. Financial requirements

| Main Board | GEM |
|---|---|
| <p>A Main Board new applicant must have a trading record of not less than three financial years and meet one of the following three financial criteria:</p> <ol style="list-style-type: none">1. Profit test2. Market Capitalisation/Revenue Test3. Market Capitalisation/Revenue/Cashflow test | <p>A GEM new applicant must have a trading record of at least two financial years comprising:</p> <ol style="list-style-type: none">1. A positive cashflow generated from operating activities in the ordinary and usual course of business of at least \$20 million in aggregate for the two financial years immediately preceding the issue of the listing document.2. Market capitalisation of at least HK\$100million at the time of listing |

Basic Listing Requirements for Equities

b. Acceptable jurisdiction

- Applicants incorporated outside Hong Kong and other recognised jurisdictions seeking a primary listing on Main Board and GEM are assessed on a case-by-case basis and have to demonstrate they are subject to appropriate standards of shareholder protection, which are at least equivalent to those required under Hong Kong law. A roadmap that compromises a schedule of shareholder protection matters is set out in the attachment to the Joint Policy Statement dated 7 March 2007 to distil the key requirements for ensuring appropriate standards of shareholder protection from HKEx's current approach.

Basic Listing Requirements for Equities

c. Accounting standards

| Main Board | GEM |
|--|---|
| Accounts of an overseas-incorporated issuer prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) or other accounting standards may be acceptable by the SEHK under certain circumstances | Accounts prepared in accordance with US GAAP are acceptable if the company is listed, or will be simultaneously listed, on either the New York Stock Exchange or the NASDAQ National Market |

Basic Listing Requirements for Equities

d. Suitability for Listing

- Both the issuer and its business must, in the opinion of SEHK, be suitable for listing.
- An issuer or its group (other than an investment company) whose assets consist wholly or substantially of cash or short-dated securities will not normally be regarded as suitable for listing, except where the issuer or group is solely or mainly engaged in the securities brokerage business.

Basic Listing Requirements for Equities

e. Operating history and management

| Main Board | GEM |
|---|--|
| <p>Must have a trading record period of at least 3 financial years with:</p> <ol style="list-style-type: none">1. Management continuity for at least the 3 preceding financial years; and2. Ownership continuity and control for at least the most recent audited financial year | <p>Must have a trading record of at least 2 full financial years with:</p> <ol style="list-style-type: none">1. Substantially the same management throughout the 2 full financial years; and2. A continuity of ownership and control throughout the full financial year immediately preceding the issue of the listing document |
| Exceptions | Exceptions |

Basic Listing Requirements for Equities

| | Main Board | GEM |
|--|--|--|
| Minimum market capitalisation | At least HK\$200 million | At least HK\$100 million |
| Market capitalisation of public float | At least HK\$50 million | At least HK\$30 million |
| Public float (At least 25% of the issuer's total issued share capital must at all times be held by the public) | At least HK\$50 million | At least HK\$30 million |
| Spread of shareholders | The equity securities in the hands of the public should be held among at least 300 holders | The equity securities in the hands of the public should be held among at least 100 holders |

Basic Listing Requirements for Equities

| | Main Board | GEM |
|--------------------|--|---|
| Offering mechanism | A new applicant may not list by way of placing if there is likely to be significant public demand for its securities | A new applicant is free to decide on its offering mechanism and may list on the Exchange by way of placing only |
| New issue price | Both the Main Board and GEM Listing Rules do not impose conditions on the new issue price. However, new shares cannot be issued at a price below their nominal value | |

Source: Hong Kong Exchanges and Clearing Limited

For more details, please refer to Listing Rules for Main Board and GEM which are available at HKEx's website at www.hkex.com.hk

Listed Companies

- **Comply with the Listing Rules**
- **Continuing disclosure obligations**
 - Price-sensitive information
 - Financial information – Annual, interim, quarterly (mandatory for GEM companies) reports
 - Corporate actions
 - “Notifiable” transactions

www.hkexnews.hk →

The screenshot shows the HKEX News website interface. At the top, there is a navigation bar with the HKEX logo and the text 'HKEXnews 披露易'. Below this, there are three main sections: 'Listed Company Information', 'Shareholding Disclosures', and 'Issuer-related Information'. The 'Listed Company Information' section is currently active and displays a table of the latest listed company information.

| Release Time | Code | Stock Name | Document |
|------------------|-------|-----------------|--|
| 18/08/2009 14:34 | 00142 | FIRST PACIFIC | Announcements and Notices - [Overseas Regulatory Announcement] Filing made by: (147KB, PDF) |
| 18/08/2009 13:46 | 01389 | MING AH HOLD | Announcements and Notices - [Interim Results] ANNOUNCEMENT OF: (134KB, PDF) |
| 18/08/2009 13:18 | 00546 | FUFENG GROUP | Announcements and Notices - [Interim Results / Dividend or Distribution] ANNOUNCEMENT OF: (460KB, PDF) |
| 18/08/2009 12:56 | 00751 | SKYWORTHDIGITAL | Announcements and Notices - [Notice of AGM] NOTICE OF ANNUAL: (69KB, PDF) |

Other Useful Information: Hyperlinks to Listed Companies, Investment Service Centre

Address: <http://www.hkexnews.hk/index.htm>

Thank you