

Updating Your Study Manual

Instructions for Inserting Version 1.1, 2003

The followings serve as the instructions for updating **Topic 2: Listing of the HKEx Main Board and the GEM** of Study Manual 5 for the Licensing Examination for Securities and Futures Intermediaries. Please be reminded that only the updated sections are provided for downloading. You may replace the relevant sections with this updated version for the study manual you possess.

Instructions:

1. Download and print out the following pages.
 2. **Remove** the original front page and **Insert** the updated front page
 3. **Remove** pages 2-35 to 2-36 and **Insert** new pages 2-35 to 2-36.
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STUDY MANUAL FOR

PAPER 5

REGULATION OF CORPORATE FINANCE

of

The Licensing Examination
for Securities and Futures Intermediaries

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HK\$30 million. The Exchange may accept shorter trading periods in special circumstances, but this is unlikely.

- In the case of a new applicant, the latest financial period reported on by the reporting accountants, Chapter 4, must not have ended more than six months before the date of the listing document.
- There must be an adequate market in the securities — that is, sufficient public interest in the business of the issuer.
- At least 25% of the shares of the issuer must be held by the general public for companies whose market value does not exceed HK\$4 billion and between 10% and 25% for those companies in excess.
- There must be a sufficient spread of shareholders in each class of securities to be listed (normally 100 holders).
- [There must be a market capitalization of at least HK\\$100 million at the time of listing of which HK\\$50 million must be in the hands of the public.](#)
- Where a new applicant has a controlling shareholder with an interest in a business apart from the applicant's business which competes or is likely to do so, then there must be disclosure of this fact (rule 8.10(1) and (2)).
- A new applicant applying for a primary listing on the Exchange must have a sufficient management presence in Hong Kong — that is, at least two of its executive directors must be resident in Hong Kong.
- The securities for which listing is sought must be freely transferable. This could include partly paid shares if their transferability is not unreasonably restricted.
- The persons proposed to be directors must meet the requirements of Chapter 3.
- The issuer must appoint an approved share registrar to maintain its register of members in Hong Kong.
- The secretary of the issuer must be ordinarily resident in Hong Kong and be a member of the Hong Kong Institute of Company Secretaries, or a solicitor or barrister, or have some other qualification acceptable to the Exchange.

9.2 The Exchange has published proposals for, inter alia, the introduction of new quantitative tests to assess the financial performance of a listing applicant to afford an opportunity to applicants who may not meet the specified profit requirements but whose business is of a sufficient size and standing.

- 9.3 The GEM Listing Rules are not the same. The following are the main differences:
- A new applicant will not be rendered unsuitable for listing on the grounds that any director or shareholder has an interest in a business which competes or may compete with the applicant's business (GEM rule 11.03).
 - The track record is normally two years but may cover as short a period as 12 months provided a focused line of business has been pursued for not less than 12 months (GEM rule 11.10). There is no trading profits requirement.
 - The applicant must demonstrate that it has focused on one line of business under substantially the same management (GEM rule 11.12(1)).
 - A property company must have, in respect of a substantially major portion of its PRC properties, long-term title certificates (GEM rule 11.16) — that is, documents which state that the owner (company) is entitled to hold the property for a specified period, such as 50 years.
 - The market capitalization is at least HK\$46 million.
 - Derivative warrants of the type referred to on the Main Board will not be admitted to GEM.
- 9.4 A detailed analysis of the different requirements for the Main Board compared to GEM are set out in Appendix 1 to this topic. The reader will be expected to be familiar with all of these aspects.
- 9.5 Chapter 9 of the Listing Rules sets out the procedures and requirements for applications for the listing of equity securities on the Main Board, whether by new applicants or by listed issuers. These include:
- new applicants are reminded that the sponsor is responsible for lodging the formal application for listing and all supporting documents and for dealing with the Exchange; and
 - the Exchange must receive an advance proof of the prospectus and the timetable with the booking form.
- 9.6 The following is a summary of the procedure and the principal documents that are required to be lodged with the Exchange. The reader must consult the rules for full details and a complete list of documents.

Procedure

- 9.7 In order to allow the Exchange sufficient time to consider an application, a new applicant must normally apply for an advance booking form on the