

Appendix 6

Placing Guidelines — for — Equity Securities

New Applicants

1. The expected initial market capitalisation of the securities to be placed must not be less than HK\$25,000,000 or such other amount as may be fixed from time to time by the Exchange.
2. The limits set out in paragraph 1 will not normally apply to placings of equity securities by overseas issuers having their primary listing on another stock exchange. The Exchange should, however, be consulted in such cases.
3. The overall coordinator(s) must make adequate distribution facilities available, must run the application list and must determine a fair basis for allocating securities when an issue is oversubscribed. In the case of a placing of securities involving bookbuilding activities (as defined under the Code of Conduct) in connection with a New Listing, each overall coordinator will be deemed to have reviewed the analysis generated by FINI on the distribution and concentration of the securities placed and confirmed its accuracy by submitting the declaration in the form set out in Form D in Appendix 5 on FINI (see rule 9.11(35)).
4. The securities to be placed must have an adequate spread of holders, the number depending on the size of the placing, but as a guideline there should be not less than three holders for each HK\$1,000,000 of the placing, with a minimum of 100 holders.
5. No allocations will be permitted to:—
 - (1) “connected clients” (as defined in paragraph 13) of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s));
 - (2) directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in rules 10.03 and 10.04 are fulfilled; or
 - (3) nominee companies unless the name of the ultimate beneficiary is disclosed,without the prior written consent of the Exchange.

6. Not more than 25 per cent. of the total placing may be allocated to “discretionary managed portfolios” (as defined in paragraph 13).
7. Not more than ten per cent. of the total placing may be offered to employees or past employees of the applicant (see rule 10.01).
8. No overall coordinator, syndicate member (other than an overall coordinator) or distributor (other than a syndicate member) may, under normal circumstances, retain any material amount of the securities being placed for its own account. Where there is public demand, no overall coordinator, syndicate member (other than an overall coordinator) or distributor (other than a syndicate member) may retain more than five per cent. of the shares comprising the total placing.
9. These guidelines apply equally to every Exchange Participant with whom or through whom the securities are placed by an overall coordinator, a syndicate member (other than an overall coordinator) or a distributor (other than a syndicate member).
10. In connection with a New Listing, separate Marketing and Independence Statements in the form set out in Form D in Appendix 5 must be submitted to the Exchange on FINI by (a) each overall coordinator; (b) each syndicate member (other than an overall coordinator); (c) any distributor (other than a syndicate member); and (d) any Exchange Participant referred to in paragraph 9 above before dealings commence (see rule 9.11(35)).
11. Dealings in the securities cannot commence until the Exchange has been supplied with and approved (on FINI in the case of a placing in connection with a New Listing) a list setting out for all the placees, the required information, including without limitation, the names, addresses and identity cards (or if none, passport numbers and the jurisdiction of issuance) (in the case of individuals) and the names, addresses, jurisdiction of incorporation and the relevant company identification numbers (in the case of companies), the names, addresses and identity cards (or if none, passport numbers and the jurisdiction of issuance) of the beneficial owners (in the case of nominee companies) and the amounts taken up by each placee (see rule 9.11(35)). The Exchange reserves the right to require submission of further information (in any other format as it may request) on the placees as it considers necessary for the purpose of establishing the placees’ independence, including without limitation, details of beneficial ownership.
- 11A. For an applicant seeking to list under Chapter 18C, the placing of securities must comply with rule 18C.08. The list referred to in paragraph 11 must also include the relevant information to demonstrate that the placing of securities is in compliance with rule 18C.08, with identification of each placee who falls within the definition of an independent price setting investor as referred to in that rule. The Exchange reserves the right to require submission of further information on those placees as it may consider necessary for the purpose of establishing the basis on which such placees fall within such definition.

12. Each overall coordinator, syndicate member (other than an overall coordinator), distributor (other than a syndicate member) and Exchange Participant referred to in paragraph 9 must keep a record of their placees for at least three years following completion of the placing. This record should contain the information required in paragraph 11.

13. For the purposes of this Appendix:—

“Connected client” in relation to an Exchange Participant means any client of such member who is:—

- (1) a partner of such Exchange Participant;
- (2) an employee of such Exchange Participant;
- (3) where the Exchange Participant is a company,
 - (a) any person who is a substantial shareholder of such Exchange Participant; or
 - (b) a director of such Exchange Participant;
- (4) the spouse or infant child or step child of any individual described in (1) to (3) above;
- (5) a person in his capacity as trustee of a private or family trust (other than a pension scheme) the beneficiaries of which include any person in (1) to (4) above;
- (6) a close relative of any person in (1) to (4) above where his account is managed by such Exchange Participant in pursuance of a discretionary managed portfolio agreement; or
- (7) a company which is a member of the same group of companies as such Exchange Participant.

“Discretionary managed portfolio” means a fund of investments, the contents of which are kept under review by an Exchange Participant or any member of the group of which such Exchange Participant is a part which has authority to effect or arrange for the effecting of transactions for the fund at its discretion.

“Securities” and “shares” shall include equity securities, interests in a REIT, stapled securities and securities of an investment company (as defined in rule 21.01 of the Exchange Listing Rules).

Listed issuers

14. Placings of securities by listed issuers will be allowed only in the following circumstances:—
 - (1) where such placing falls within any general mandate given to the directors of the applicant by the shareholders in accordance with rule 13.36; or
 - (2) where the placing is specifically authorised by the shareholders of the applicant in general meeting.
15. Placings made in either of the above circumstances are required to comply with these guidelines only if the securities are of a class new to listing.
16. In the case of a placing by or on behalf of a listed issuer of securities of a class already listed the Exchange may require the issuer to disclose to the Exchange the names and addresses of each of the placees. (see also rule 13.28(7)).

General

17. It must be realised that the above are not necessarily exhaustive and that each case must be considered in the light of its own particular circumstances. In addition, the above criteria may in consultation with the Exchange be amended or extended from time to time in the light of experience. Each placing will be reviewed upon its completion to ensure that the above requirements have been or will be satisfied.
18. For a placing of securities referred to in rule 3A.32, the issuer must ensure a bookbuilding process is carried out to assess demand for the securities.
19. An issuer should document the rationale behind its decision on allocation and pricing, in particular where the decision is contrary to the advice, recommendation(s) and/or guidance of the overall coordinator(s). The overall coordinator(s) shall inform the Exchange if decisions made by the issuer amount to non-compliance with the Exchange Listing Rules related to, among other things, the placing activities conducted by the overall coordinator(s) or the issuer.