

HKEx REJECTION LETTER
Cite as HKEx-RL15-06 (April 2006)

[Withdrawn in March 2019; Superseded by HKEX-GL71-14]

Summary	
Listing Rule	Listing Rule 8.04
Reason for rejection and the subsequent disposal of the case on review	<p>The Listing Committee rejected the listing application of the Company for the reason that the Company was not considered to be suitable for listing as it had not put in place throughout the track record period the required controls and procedures on which it was relying on for listing eligibility purposes.</p> <p>The Listing Committee's rejection decision was reversed by the Listing (Review) Committee on review.</p>
Contents	<p>LETTER 1: Extracts of the decision letter of the Secretary to the Listing Committee of The Stock Exchange of Hong Kong Limited.</p> <p>LETTER 2: Extracts of the decision letter of the Secretary to the Listing (Review) Committee on hearing the application of the Company to review the decision of the Listing Committee.</p>

LETTER 1

[Date]

[Name and Address of Sponsor]

Dear Sirs,

Re: Application for new listing of a Main Board listing applicant
(the "Company" together with its subsidiaries, the "Group")

We refer to your Form A1 listing application dated [**day*month*year*] made on behalf of the Company (the "Application") and the Hearing Proof of the Company's listing document dated [**day*month*year*] (the "Prospectus"). Capitalised terms used herein shall have the same meanings as those defined in the Prospectus, unless otherwise stated.

At the Listing Committee meeting held on [**day*month*year*], at which [*names of members purposely omitted*], had attended to consider the Application, the Listing Committee has resolved that the Group is not suitable for listing as required by Rule 8.04. The analysis and conclusion are set out below.

Relevant Facts

The Group is principally engaged in the management and operation of the only licensed casino in *[a city in Country A which is outside Hong Kong]*. According to the Casino License granted by the *[relevant government department of Country A]*, the Group has the exclusive right to operate a casino within a *[*km]* radius of *[a city in Country A]* for an initial period of *[*]* years from *[*day*month*year]*. Thereafter, the Group has the right to extend its right of exclusivity for a further *[*]* years subject to the consent of the *[relevant government department of Country A]*.

The development of [Country A's] regulatory regime on anti-money laundering ("AML")

In *[*day*month*year]* (i.e. in the second year of the Company's three-financial-year track record period), *[Country A]* became a full member of Asia/ Pacific Group ("APG") on money laundering. APG is the regional body responsible for the development and implementation of AML policies in Asia. The APG's AML policies themselves are based upon the standard-setting recommendations formulated by The Financial Action Task Force on Money Laundering ("FATF") on money laundering. FATF was established by the G-7 industrialised countries and its recommendations (the "Recommendations") have been acknowledged and accepted as the international benchmark for the prevention of money laundering. FATF's recommendations have been utilised as the basis for AML legislation or regulations in many countries (including *[portion of letter purposely omitted]*), and have been recognised and adopted by regional bodies (including APG to which Hong Kong is a founding member) and international organisations such as The World Bank and the United Nations.

In *[*day* month* year]* (i.e. in the first year of the Company's three-financial-year track record period), the *[relevant government department of Country A]* promulgated *[certain]* guidelines on the regulation of casinos and the prevention of money laundering based on the relevant recommendations issued by FATF. *[Portion of the letter purposely omitted]*
The development of the Group's internal AML structure, policies and measures

The development of the Group's internal AML structure, policies and measures

According to the submission of the Sponsor, the Group has established its own internal AML structure, controls and procedures, as follows:

- On a Group level, the Company has developed an AML regime which, substantiated by its legal advisers in *[Country A]*, complies with all applicable AML laws and regulations and, which supported by the views of *[Consultant A]*, an independent consultant, attains internationally-benchmarked standards based on the recommendations issued by FATF.
- On a Company level, both executive and non-executive directors with recognised expertise and experience relevant to AML matters have been appointed:
 - *[Mr. X]*, *[qualifications and work experience of Mr. X purposely omitted]*, became an executive director *[two months before the Company submitted its listing application]*; and

- *[Mr. Y], and [Mr. Z] [qualifications and work experience of Mr. Y and Mr. Z purposely omitted], each became an independent non-executive director [two months before the Company submitted its listing application].*
- The Company has set up committees, at both the board level (the AML Oversight Committee) and working level (the AML Sub-Committee), to devise, manage and implement comprehensive policies, procedures and internal controls, formally documented in the Company's AML manual. Since *[the middle of the first year of the Company's three-financial-year track record period]*, the Company has conducted three rounds of internal audits in relation to its AML procedures and performance.
- *[Consultant A]*, as independent consultant, was engaged in *[the second year of the Company's three-financial-year track record period]* to conduct an independent review and assessment of the Company's AML procedures and found the Company to be in full compliance with the relevant FATF recommendations and to have established an internal control regime that meets international standards. Having worked with *[Consultant A]* since its appointment in *[the second year of the Company's three-financial-year track record period]*, the Company has acted upon its various recommendations and suggestions to further enhance its AML procedures and practices.
- Although not specifically focusing on AML matters, the Company has also commissioned a report from a firm of independent experts in Australia, *[Expert B]*, to review the Company's wider internal controls *[in the year immediately prior to, and in the first and second years of the Company's three-financial-year track record period]*, as compared to standards practised by casinos in Australia and the Nevada, USA. It is apparent that the standard of the Company's internal controls is comparable to those practised in Australia and Nevada, USA.

The Applicable Listing Rule

Rule 8.04 states that both the issuer and its both the issuer and its business must, in the opinion of the Exchange, be suitable for listing.

The Issue

The Listing Committee has reviewed whether the Group is suitable for listing, in light of the recent legal developments in *[Country A]* and the management changes in the Group.

The Analysis and Conclusion

The Listing Committee noted the following:-

- With *[Country A]* becoming a full member of the APG on *[*day*month* year]* (i.e. in the second year of the Company's three-financial-year track record period), the legal environment of the Group's casino business had recently changed. A number of the Company's internal AML structure and control measures and policies were also developed during the track record period and had been subject to only a short period of testing.

- In addition, a key executive, *[Mr. X]*, and two non-executive Directors with experience relevant to AML matters had been recently appointed by the Company and were relatively untested in their respective roles.
- These factors suggested that it would not be appropriate to approve the Company's listing application at present but it might be in future.

The Listing Committee agreed that it was necessary for the Company's AML controls and procedures to have been in place throughout the track record period that the Group is relying on for listing eligibility purposes. In light of the fact that this was not the case for the Company, the Committee found the Company was not suitable for listing as required by Rule 8.04 and determined to reject the Company's listing application.

Please note that, pursuant to Rule 2B.07(1) of the Listing Rules, the Company has the right to a further review of the Application by the Listing (Review) Committee.

We have assigned a case number to this transaction as stated above. Please quote prominently this case number in any future correspondence relating to this case for efficient processing of the documents and avoiding unnecessary delay.

[Portion of Letter Purposely Omitted]

Yours faithfully,
 For and on behalf of
 The Stock Exchange of Hong Kong Limited

[Signed]

Secretary to the Listing Committee

LETTER 2

[Date]

[Name and Address of Sponsor]

Dear Sirs,

Re: Review Hearing of the Listing (Review) Committee
 (the "Review Hearing") regarding the Company
Date of the Review Hearing: *[* day* month* year]*

On *[*day* month*year]*, the Listing (Review) Committee of The Stock Exchange of Hong Kong Limited conducted a review hearing (the "Review Hearing") to consider an application from the Company for a review of the decision of the Listing Committee made on *[*day* month* year]* as set out in *[LETTER 1]*, (the "Listing Committee's Decision").

The Review Hearing was conducted before the Listing (Review) Committee comprising *[names of members purposely omitted]* (the “Review Committee”).

Note: Terms and expressions used and defined in the written submission of the Listing Division shall have the same meanings when used herein unless otherwise defined.

Decision

Having considered the additional information provided by the Company in its written and oral submissions, the Review Committee decided that the Company could proceed with its listing application with the Exchange in accordance with the Listing Rules on the following conditions:

1. the Company engage an independent professional party to review/ audit its internal controls with a focus on anti-money laundering, on a bi-annual basis, and the findings will be disclosed in its annual report. The Company will act upon any recommendations of the independent auditor, where appropriate; and
2. the Company’s controlling shareholder, *[*]*, indemnify the Company for any liabilities suffered and brought about by any actions or suits filed by third parties as a result of any shortcomings and deficiencies in the anti-money laundering internal controls of the Company that may have occurred prior to listing.

For the avoidance of doubt, should the Company decide to proceed with its application for new listing, such application will be treated strictly on its merits at the material time, and no representation is given whether express or implied, as to the acceptability of such application if pursued. The new listing application of the Company in its entirety will be subject to the final approval by the Listing Committee.

The Review Committee wishes to stress that the above decision is specific to this particular instance and shall not serve to create a precedent for any other companies.

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited

[Signed]

Secretary to the Listing (Review) Committee