

Chapter 1

GENERAL

INTERPRETATION

For the avoidance of doubt, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited apply only to matters related to those securities and issuers with securities listed on the stock market operated by the Exchange other than the Growth Enterprise Market (“GEM”). This stock market is defined as the “Main Board” in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). All matters related to GEM and securities and issuers with securities listed on GEM are governed by the GEM Listing Rules.

1.01 Throughout this book, the following terms, save where the context otherwise requires, have the following meanings:

“accounts”	has the same meaning as “financial statements” and vice-versa
“approved share registrar”	a share registrar who is a member of an association of persons approved under section 12 of the Securities and Futures (Stock Market Listing) Rules
“Articles”	the Articles of Association of the Exchange
“asset-backed securities”	debt securities backed by financial assets which, at the time of the relevant issues, are evidenced by agreements and intended to produce funds to be applied towards interest payments due on the securities and repayment of principal on maturity, except those debt securities which are directly secured, in whole or in part, on real property or other tangible assets
“associate”	(a) in relation to an individual means:— (i) his spouse; (ii) any child or step-child, natural or adopted, under the age of 18 years of such individual or of his spouse (together with (a)(i) above, the “family interests”); (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the

equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the "trustee interests");

- (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company; and

(b) in relation to a company means:-

- (i) any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity capital of which it and/or such other company or companies taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering

- a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors;
- (ii) the trustees, acting in their capacity as such trustees, of any trust of which the company is a beneficiary or, in the case of a discretionary trust, is (to the company's knowledge) a discretionary object and any company ("trustee-controlled company") in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the "trustee interests");
 - (iii) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
 - (iv) any other company in the equity capital of which the company, such other companies referred to in (b)(i) above, any of the trustees referred to in (b)(ii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company

Notes (1) *This definition is modified in the context of connected transactions by virtue of rules 14A.11 and 14A.12.*

(2) *In the case of a PRC issuer, its promoters, directors, supervisors, chief executive and substantial shareholders, the definition is amended to have the same meaning as in rule 19A.04.*

“authorised representative”	a person appointed as an authorised representative by a listed issuer under rule 3.05
“bank”	a bank licensed under the Banking Ordinance or a bank incorporated or otherwise established outside Hong Kong which is, in the opinion of the Commissioner of Banking, adequately supervised by an appropriate recognised banking supervisory authority in the place where it is incorporated or otherwise established
“bearer securities”	securities transferable to bearer
“Board”	the Directors of the Exchange elected or appointed in accordance with the Articles and, where the context so permits, any committee or sub-committee thereof
“business day”	any day on which the Exchange is open for the business of dealing in securities
“CCASS”	means the Central Clearing and Settlement System established and operated by HKSCC
“CIS Disclosure Document”	the same meaning as in Chapter 20
“CIS Operator”	the entity which operates or manages the CIS
“CIS” or “Collective Investment Scheme”	the same meaning as in Part I of Schedule 1 to the Securities and Futures Ordinance and includes unit trusts, mutual funds, investment companies and any form of collective investment arrangement
“chief executive”	a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of a listed issuer
“Code on Share Repurchases”	the Code on Share Repurchases approved by the Commission as amended from time to time

	time
“Commission”	the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance and continuing in existence under section 3 of the Securities and Futures Ordinance
“company”	a body corporate wherever incorporated or otherwise established
“Company Law”	the same meaning as in rule 19A.04
“connected person”	<p>(a) in relation to a company other than a PRC issuer, and other than any subsidiaries of a PRC issuer, means a director, chief executive or substantial shareholder of such company or any of its subsidiaries or an associate of any of them; and</p> <p>(b) in relation to a PRC issuer means a promoter, director, supervisor, chief executive or substantial shareholder of the PRC issuer or any of its subsidiaries or an associate of any of them</p> <p><i>Note: This definition is modified in the case of Chapter 14A only by the provisions of rules 14A.11 and 14A.12.</i></p>
“controlling shareholder”	any person who is or group of persons who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer; or in the case of a PRC issuer, the meaning ascribed to that phrase by rule 19A.14
“convertible debt securities”	debt securities convertible into or exchangeable for equity securities or other property, and debt securities with non-detachable options, warrants or similar rights to subscribe or purchase equity securities or other property attached
“convertible equity securities”	equity securities convertible into or exchangeable for shares and shares with non-detachable options, warrants or similar rights to subscribe or purchase shares attached
“corporate communication”	any document issued or to be issued by an issuer for the information or action of holders of any of its securities, including but not limited

to:—

- (a) the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report;
- (b) the interim report and, where applicable, its summary interim report;
- (c) a notice of meeting;
- (d) a listing document;
- (e) a circular; and
- (f) a proxy form

“debt issuance programmes”

issues of debt securities where only part of the maximum principal amount or aggregate number of securities under the issue is issued initially and a further tranche or tranches may be issued subsequently

“debt securities”

debenture or loan stock, debentures, bonds, notes and other securities or instruments acknowledging, evidencing or creating indebtedness, whether secured or unsecured and options, warrants or similar rights to subscribe or purchase any of the foregoing and convertible debt securities

“director”

includes any person who occupies the position of a director, by whatever name called

“domestic shares”

the same meaning as in rule 19A.04

“Eligible Security”

means an issue of securities which is from time to time accepted as eligible by HKSCC for deposit, clearance and settlement in CCASS, in accordance with the General Rules of CCASS, and where the context so requires shall include any particular security or securities of such an issue

“equity securities”

shares (including preference shares), convertible equity securities and options, warrants or similar rights to subscribe or purchase shares or convertible equity securities, but excluding interests in a Collective Investment Scheme

“Executive Director - Listing”

the person occupying the position of Head of the Listing Division from time to time by whatever name such position is called

“Exchange”

The Stock Exchange of Hong Kong Limited

“Exchange Listing Rules”	the rules governing the listing of securities made by the Exchange from time to time, the appendices thereto, any listing agreement or other contractual arrangement entered into with any party pursuant thereto, and rulings of the Exchange made in pursuance thereof
“Exchange Participant”	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Exchange; and (b) whose name is entered in a list, register or roll kept by the Exchange as a person who may trade on or through the Exchange
“Exchange’s website”	the official website of Hong Kong Exchanges and Clearing Limited
“expert”	includes engineer, valuer, accountant and any other person whose profession gives authority to a statement made by him
“family interests”	the same meaning as in (a)(ii) of the definition of “associate”
“financial statements”	has the same meaning as “accounts” and vice-versa
“financial year”	the period in respect of which any profit and loss account of a company laid or to be laid before it in general meeting is made up, whether that period is a year or not
“foreign shares”	the same meaning as in rule 19A.04
“formal notice”	a formal notice required to be published under rules 12.02, 12.03 or 25.16
“group”	the issuer or guarantor and its subsidiaries, if any
“H Shares”	the same meaning as in rule 19A.04
“HKEC”	Hong Kong Exchanges and Clearing Limited
“HKSCC”	means the Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees
“holding company”	the meaning attributed to it in section 2 of the Companies Ordinance, but interpreting the term “subsidiary” in accordance with the definition of “subsidiary” under this rule 1.01

“Hong Kong Financial Reporting Standards” or “HKFRS”	financial reporting standards approved by the Council of the Hong Kong Society of Accountants (“HKSA”), and includes all Statements of Standard Accounting Practice (“SSAP”) and interpretations of HKFRS approved by the HKSA from time to time
“Hong Kong issuer”	an issuer incorporated or otherwise established in Hong Kong
“Hong Kong register”	the same meaning as in rule 19A.04
<u>“IFA group”</u>	<p><u>(a) the independent financial adviser;</u></p> <p><u>(b) any holding company of the independent financial adviser;</u></p> <p><u>(c) any subsidiary of any holding company of the independent financial adviser;</u></p> <p><u>(d) any controlling shareholder of:</u></p> <p style="padding-left: 40px;"><u>(i) the independent financial adviser; or</u></p> <p style="padding-left: 40px;"><u>(ii) any holding company of the independent financial adviser,</u></p> <p style="padding-left: 40px;"><u>which controlling shareholder is not, itself, a holding company of the independent financial adviser; and</u></p> <p><u>(e) any associate of any controlling shareholder referred to in paragraph (d) above</u></p>
“International Financial Reporting Standards” or “IFRS”	financial reporting standards and interpretations approved by the International Accounting Standards Board (“IASB”), and includes all International Accounting Standards (“IAS”) and interpretations issued under the former International Accounting Standards Committee (“IASC”) from time to time
“issue”	includes circulate, distribute and publish
“issuer”	any company or other legal person any of whose equity or debt securities are the subject of an application for listing or some of whose equity or debt securities are already listed
“listed issuer”	in the case of equity securities means any company or other legal person some of whose equity securities are already listed, and in the case of debt securities means a company or other legal person some of whose equity or debt securities are already listed

“listing”	the grant of a listing of and permission to deal in securities on the Exchange and “listed” shall be construed accordingly
“Listing Appeals Committee”	the listing appeals sub-committee of the Board
“Listing Committee”	the listing sub-committee of the Board
“Listing Division”	the Listing Division of the Exchange
“listing document”	a prospectus, a circular and any equivalent document (including a scheme of arrangement and introduction document) issued or proposed to be issued in connection with an application for listing
“market capitalisation”	the market value of the entire size of an issuer, which shall include all classes of securities of the issuer, irrespective of whether any of such class(es) of securities are unlisted, or listed on other regulated market(s)
“mutual fund”	any corporation which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or any other property whatsoever, and which is offering for sale or has outstanding any redeemable shares of which it is the issuer
“new applicant”	in the case of equity securities means an applicant for listing none of whose equity securities are already listed and in the case of debt securities means an applicant for listing none of whose equity or debt securities are already listed
“notifiable transaction”	one of the transactions specified in rule 14.06
“overseas issuer”	an issuer incorporated or otherwise established outside Hong Kong
“overseas listed foreign shares”	the same meaning as in rule 19A.04
“PRC”	the same meaning as in rule 19A.04
“PRC issuer”	the same meaning as in rule 19A.04
“PRC law”	the same meaning as in rule 19A.04
“PRC stock exchange”	the same meaning as in rule 19A.04
“professional accountant”	a person registered as a professional accountant

	under the Professional Accountants Ordinance
“promoter”	the same meaning as in rule 19A.04
“prospectus”	the same meaning as in section 2(1) of the Companies Ordinance
“public”	the meaning ascribed to that phrase by rule 8.24 and “in public hands” shall be construed accordingly
“published in the newspapers”	published as a paid advertisement in English in at least one English language newspaper and in Chinese in at least one Chinese language newspaper, being in each case a newspaper published daily and circulating generally in Hong Kong and specified in the list of newspapers issued and published in the Gazette for the purposes of section 71A of the Companies Ordinance by the Secretary for Administrative Services and Information and “publish in the newspapers” shall be construed accordingly
“published on the Exchange’s website”	published in English and Chinese on the Exchange’s website and “publish on the Exchange’s website” and “publication on the Exchange’s website” shall be construed accordingly
“Regulations”	the same meaning as in rule 19A.04
“reporting accountant”	the professional accountant who is responsible for the preparation of the accountants’ report included in a listing document or circular in accordance with Chapter 4
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Cap. 571) as amended from time to time
“selectively marketed securities”	debt securities marketed to or placed with any number of registered dealers or financial institutions either with a view to their reselling such securities as principals off-market, nearly all of which, because of their nature, will normally be purchased and traded by a limited number of investors who are particularly knowledgeable in investment matters or placing such securities with a limited number of such investors and “selective marketing” shall be construed accordingly
“sponsor”	<u>any corporation or authorised financial institution, licensed or registered under applicable laws to advise on corporate finance matters and appointed as a sponsor by a new applicant under rule 3A.02</u> the person appointed as a sponsor by

a new applicant under rule 3.01

“State”	includes any agency, authority, central bank, department, government, legislature, minister, ministry, official or public or statutory person of, or of the government of, a state or any regional or local authority thereof
“State corporation”	any company or other legal person which is directly or indirectly controlled or more than 50% of whose issued equity share capital (or equivalent) is beneficially owned by, and/or by any one or more agencies of, a State or all of whose liabilities are guaranteed by a State or which is specified as such from time to time by the Exchange
“Statutory Rules”	the Securities and Futures (Stock Market Listing) Rules as amended from time to time, the text of which is set out in Appendix 12
“subsidiary”	includes: <ul style="list-style-type: none">(a) the meaning attributed to it in section 2 of the Companies Ordinance;(b) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards; and(c) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards
“substantial shareholder”	<p>in relation to a company means a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company</p> <p><i>Note: This definition is modified in the case of Chapter 14A by the provisions of rule 14A.13(1)(b)(i).</i></p>
“summary financial report”	a summary financial report of a company, which complies with section 141CF(1) of the Companies Ordinance

“Supranational”	any institution or organisation at a world or regional level which is specified as such from time to time by the Exchange
“supervisor”	the same meaning as in rule 19A.04
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Commission as amended from time to time
“tap issues”	issues of debt securities where the subscription thereof may continue or further tranches thereof may be issued after listing has been granted
“temporary documents of title”	allotment letters, letters of allocation, split receipts, letters of acceptance, letters of rights, renounceable share certificates and any other temporary documents of title
“unit trust”	any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever

Chapter 2

- 2.09 A new application for listing, in the case of equity securities, must be sponsored ~~by an Exchange Participant, issuing house, merchant bank or other similar person acceptable to the Exchange~~ as more fully explained in Chapter 3A.

Chapter 2A

2A.10 The sanctions in rule 2A.09 may be imposed or issued against any of the following:

- (a) a listed issuer or any of its subsidiaries;
- (b) any director of a listed issuer or any of its subsidiaries or any alternate of such director;
- (c) any member of the senior management of a listed issuer or any of its subsidiaries;
- (d) any substantial shareholder of a listed issuer;
- (e) any professional adviser of a listed issuer or any of its subsidiaries;
- (f) any sponsor of a listed issuer or a new applicant;
- (g) any authorised representative of a listed issuer;
- (h) any supervisor of a PRC issuer:-

(i) any Compliance Adviser appointed by a listed issuer; and

(j) any independent financial adviser of a listed issuer.

For the purposes of this rule “professional adviser” includes any financial adviser, lawyer, accountant, property valuer or any other person retained by an issuer to provide professional advice in relation to a matter governed by the Exchange Listing Rules.

Notes: (1) The scope of any disciplinary action taken, in particular any ban imposed on a professional adviser pursuant to rule 2A.09(5), shall be limited to matters governed by or arising out of the Exchange Listing Rules.

(2) In exercising its powers of sanction the Exchange will recognise the differing roles and levels of responsibility of the persons against whom sanctions may lie in pursuance of rule 2A.10. In particular, professional advisers’ obligations to use all reasonable efforts to ensure that their clients understand and are advised as to the scope of the Exchange Listing Rules are subject to any relevant requirements of professional conduct, as policed and enforced by any professional body of which that adviser is a member.

Chapter 3

GENERAL

~~SPONSORS, AUTHORISED REPRESENTATIVES AND DIRECTORS~~

~~Sponsors~~

- 3.01 ~~[Repealed 1 January 2005]A new applicant, in the case of equity securities, must be sponsored by a member of the Exchange, issuing house, merchant bank or other similar person who is acceptable to the Exchange. A potential sponsor will not be considered acceptable by the Exchange if the Exchange does not consider that it will be able to give the new applicant impartial advice. The sponsor must be appointed by the new applicant for the purpose and must have agreed to observe the guidelines set out in the model code for sponsors issued by the Exchange (a copy of which is set out in Appendix 9).~~
- 3.02 ~~[Repealed 1 January 2005]The requirement to have a sponsor will end once the new applicant is listed although it is recommended that the listed issuer retain the services of its sponsor for at least one year following its listing.~~
- 3.03 ~~[Repealed 1 January 2005]The sponsor is responsible for preparing the new applicant for listing, for lodging the formal application for listing and all supporting documents with the Exchange and for dealing with the Exchange on all matters arising in connection with the application.~~
- 3.04 ~~[Repealed 1 January 2005]Particular importance is attached to the sponsor's role and the sponsor has a particular responsibility to satisfy himself, on all available information, that the listed issuer is suitable to be listed and, in the case of a corporate issuer, he must also satisfy himself that its directors appreciate the nature of their responsibilities and can be expected to honour their obligations under the Exchange Listing Rules and other applicable laws and provisions relating to securities.~~

Chapter 3A

GENERAL

SPONSORS AND COMPLIANCE ADVISERS

Definitions and Interpretation

3A.01 In this Chapter:

- (1) "Compliance Adviser" means any corporation or authorised financial institution acceptable to the Exchange, licensed or registered under applicable laws to advise on corporate finance matters and which is appointed pursuant to rule 3A.19 or rule 3A.20;
- (2) "expert" includes every accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him;
- (3) "expert section" means, in relation to the listing document, any part of the listing document purporting to be made on the authority of an expert or purporting to be a copy of or extract from a report, opinion, statement or valuation of an expert where the expert gives consent for the inclusion in the listing document of the copy or extract and the listing document includes a statement that he has given and has not withdrawn such consent;

Note: Retaining an expert to advise or assist the new applicant or sponsor in respect of any non-expert section of the listing document does of itself not make such section an expert section.
- (4) "Fixed Period" means the period for which a listed issuer must retain a Compliance Adviser pursuant to rule 3A.19;
- (5) "initial application for listing", "initial listing" and "initial public offering" include deemed new listings of equity securities pursuant to rule 14.54;
- (6) "listed issuer" for the purposes of this Chapter, has the same meaning as in rule 1.01 save that it does not include an issuer only of debt securities;
- (7) "new applicant" for the purposes of this Chapter, has the same meaning as in rule 1.01, modified for the purpose of this Chapter 3A to:
 - (a) include issuers who undergo a deemed listing of equity securities pursuant to rule 14.54; and
 - (b) exclude applicants seeking listing of debt securities;
- (8) "non-expert sections" means, in relation to the listing document, any part of the listing document that is not part of any expert section;
- (9) "sponsor group" means:
 - (a) a sponsor;
 - (b) any holding company of the sponsor;
 - (c) any subsidiary of any holding company of the sponsor;
 - (d) any controlling shareholder of:
 - (i) the sponsor; or

(ii) any holding company of the sponsor,

which controlling shareholder is not, itself, a holding company of the sponsor;
and

(e) any associate of any controlling shareholder referred to in paragraph (d)
above; and

(10) "ultimate holding company" means a holding company that itself does not have a
holding company.

Appointment of a sponsor

3A.02 A new applicant must appoint a sponsor to assist it with its initial application for listing.
The sponsor must be acceptable to the Exchange.

Sponsor's undertaking to the Exchange

3A.03 Each sponsor must give an undertaking to the Exchange in the terms set out in rule
3A.04 below and in the form in Appendix [17]. Sponsors must give the undertaking no
later than the date on which any documents in connection with the listing application are
first submitted to the Exchange. If the sponsor is appointed after such date, then the
undertaking must be given on the earlier of:

(1) the sponsor agreeing its terms of engagement with the new applicant; and

(2) the sponsor commencing work for the new applicant.

3A.04 Each sponsor must undertake to:

(1) comply with the Exchange Listing Rules applicable to sponsors;

(2) use reasonable endeavours to ensure that all information provided to the
Exchange during the listing application process is true in all material respects and
does not omit any material information and, to the extent that the sponsor
subsequently becomes aware of information that casts doubt on the truth,
accuracy or completeness of information provided to the Exchange, it will promptly
inform the Exchange of such information; and

(3) cooperate in any investigation conducted by the Listing Division and/or the Listing
Committee of the Exchange, including answering promptly and openly any
questions addressed to the sponsor, promptly producing the originals or copies of
any relevant documents and attending before any meeting or hearing at which the
sponsor is requested to appear.

Obligations of a new applicant and its directors to assist the sponsor

3A.05 A new applicant and its directors must assist the sponsor to perform its role and must
ensure that its substantial shareholders and associates also assist the sponsor. Such
assistance should include, but not be limited to:

- (1) giving the sponsor all information reasonably available or known to the new applicant's directors that is relevant to the sponsor's performance of its duties as set out in this Chapter;
- (2) affording the sponsor full access at all times to all persons, premises and documents relevant to the sponsor's performance of its duties as set out in this Chapter. In particular, terms of engagement with experts retained to perform services related to the listing application, whether or not retained in respect of an expert section, should contain clauses entitling every sponsor appointed by the new applicant access to:
 - (a) any such expert;
 - (b) the expert's reports, draft reports (both written and oral), and terms of engagement;
 - (c) information provided to or relied on by the expert;
 - (d) information provided by the expert to the Exchange or Commission; and
 - (e) all correspondence exchanged between the new applicant or its agents and the expert or between the expert and the Exchange or Commission;

Note: The Exchange expects that access to documents for the purposes of this rule would include the right to take copies of the documents without charge.
- (3) keeping the sponsor informed of any material change to:
 - (a) any information previously given to the sponsor pursuant to paragraph (1) above; and
 - (b) any information previously accessed by the sponsor pursuant to paragraph (2) above; and
- (4) providing to or procuring for the sponsor all necessary consents to the provision of the information referred to in paragraphs (1), (2) and (3) above to the sponsor.

Impartiality and independence of sponsors

3A.06 A sponsor must perform its duties with impartiality.

3A.07 At least one sponsor of a new applicant must be independent from the new applicant. A sponsor is not independent if any of the following circumstances exist as at the time of making the declaration pursuant to rule 3A.13:

- (1) the sponsor group and any director or associate of a director of the sponsor collectively holds or will hold, directly or indirectly, more than 5% of the issued share capital of the new applicant, save and except where that holding arises as a result of an underwriting obligation;
- (2) the fair value of the direct or indirect current or prospective shareholding of the sponsor group in the new applicant exceeds or will exceed 15% of the net equity shown in the latest consolidated financial statements of the sponsor's ultimate holding company or, where there is no ultimate holding company, the sponsor;
- (3) any member of the sponsor group or any director or associate of a director of the sponsor is an associate or connected person of the new applicant;

- (4) 15% or more of the proceeds raised from the initial public offering of the new applicant are to be applied directly or indirectly to settle debts due to the sponsor group, save and except where those debts are on account of fees payable to the sponsor group pursuant to its engagement by the new applicant for sponsorship services;
- (5) the aggregate of:
- (a) amounts due to the sponsor group from the new applicant and its subsidiaries; and
 - (b) all guarantees given by the sponsor group on behalf of the new applicant and its subsidiaries,
- exceeds 30% of the total assets of the new applicant;
- (6) the aggregate of:
- (a) amounts due to the sponsor group from:
 - (i) the new applicant;
 - (ii) the new applicant's subsidiaries;
 - (iii) any controlling shareholder of the new applicant; and
 - (iv) any associates of any controlling shareholder of the new applicant; and
 - (b) all guarantees given by the sponsor group on behalf of:
 - (i) the new applicant;
 - (ii) the new applicant's subsidiaries;
 - (iii) any controlling shareholder of the new applicant; and
 - (iv) any associates of any controlling shareholder of the new applicant,
- exceeds 10% of the total assets shown in the latest consolidated financial statements of the sponsor's ultimate holding company or, where there is no ultimate holding company, the sponsor;
- (7) the fair value of the direct or indirect shareholding of:
- (a) a director of the sponsor;
 - (b) a director of any holding company of the sponsor;
 - (c) an associate of a director of the sponsor; or
 - (d) an associate of a director of any holding company of the sponsor
- in the new applicant exceeds HKD 5 million;
- (8) an employee or director of the sponsor who is directly engaged in providing the subject sponsorship services to the new applicant, or an associate of such an employee or director, holds or will hold shares in the new applicant or has or will have a beneficial interest in shares in the new applicant;
- (9) any of the following has a current business relationship with the new applicant or a director, subsidiary, holding company or substantial shareholder of the new applicant, which would be reasonably considered to affect the sponsor's independence in performing its duties as set out in this Chapter, or might reasonably give rise to a perception that the sponsor's independence would be so affected, save and except where that relationship arises pursuant to the sponsor's

engagement by the new applicant for the purpose of providing sponsorship services:

- (a) any member of the sponsor group;
- (b) an employee of the sponsor who is directly engaged in providing the subject sponsorship services to the new applicant;
- (c) an associate of an employee of the sponsor who is directly engaged in providing the subject sponsorship services to the new applicant;
- (d) a director of any member of the sponsor group; or
- (e) an associate of a director of any member of the sponsor group;

(10) the sponsor or a member of the sponsor group is the auditor or reporting accountant of the new applicant.

Notes: 1. In addition to being a breach of the Exchange Listing Rules, if it comes to the Exchange's attention that a sponsor is not independent but is required to be (for example, where the sponsor is the sole sponsor appointed), the Exchange will not accept documents produced by that sponsor in support of the subject application for listing or a request for approval or vetting of any document required under the Exchange Listing Rules in relation to the subject listing application.

2. Sub-paragraphs (1) to (3) will not apply where the circumstance occurs because of an interest:

- (a) held by an investment entity on behalf of its discretionary clients;
- (b) held by a fund manager on a non-discretionary basis such as a managed account or managed fund;
- (c) held in a market-making capacity; or
- (d) held in a custodial capacity.

3. In calculating the percentage figure of shares that it holds, or will hold, for the purposes of this rule, a sponsor group is not required to include an interest in shares that would be disregarded for the purposes of Divisions 2 to 4 of Part XV of the Securities and Futures Ordinance under section 323 of that Ordinance.

4. For the purposes of this rule, references to a "new applicant" include references to the new applicant once it is listed, that is, the newly listed issuer, as applicable.

Sponsor's statement relating to independence

3A.08 Every sponsor appointed by a new applicant must make a statement to the Exchange addressing the matters set out in rule 3A.07. The statement must be in the form of Appendix [18]. Sponsors must make the statement no later than the date on which any documents in connection with the listing application are first submitted to the Exchange. If the sponsor is appointed after such date, then the statement must be made on the earlier of:

- (1) the sponsor agreeing its terms of engagement with the new applicant; and

(2) the sponsor commencing work for the new applicant.

3A.09 Where a sponsor or the new applicant becomes aware of a change in the circumstances set out in the statement required by rule 3A.08 during the period the sponsor is engaged by the new applicant, the sponsor and the new applicant must notify the Exchange as soon as possible upon that change occurring.

Additional sponsors

3A.10 Where a new applicant has more than one sponsor:

- (1) the Exchange must be advised as to which of the sponsors is designated as the sponsor who would be the primary channel of communication with the Exchange concerning matters involving the listing application;
- (2) the listing document must disclose whether each sponsor satisfies the independence test at rule 3A.07 and, if not, then how the lack of independence arises; and
- (3) each of the sponsors has responsibility for ensuring that the obligations and responsibilities set out in this Chapter are fully discharged.

Note: The Exchange would normally expect the sponsor acting as the primary channel of information to be independent from the new applicant.

Sponsor's role

3A.11 A sponsor must:

- (1) be closely involved in the preparation of the new applicant's listing documents;
- (2) conduct reasonable due diligence inquiries to put itself in a position to be able to make the declaration referred to at rule 3A.13;
- (3) ensure the requirements in rules 9.03 and 9.05 to 9.08 are complied with;
- (4) use reasonable endeavours to address all matters raised by the Exchange in connection with the listing application including providing to the Exchange, in a timely manner, such information as the Exchange may reasonably require for the purpose of verifying whether the Exchange Listing Rules are being or have been complied with by the sponsor, the new applicant and the new applicant's directors;
- (5) accompany the new applicant to any meetings with the Exchange unless otherwise requested by the Exchange, and attend any other meetings and participate in any other discussions with the Exchange as requested by the Exchange; and
- (6) comply with the terms of the undertaking given to the Exchange by the sponsor pursuant to rule 3A.03.

3A.12 In determining the reasonable due diligence inquiries a sponsor must make for the purposes of rule 3A.11(2), a sponsor must have regard to the due diligence practice note at Practice Note [21].

Sponsor's declaration

- 3A.13 As soon as practicable after the hearing of the new applicant's listing application by the Listing Committee but on or before the date of issue of the listing document, each sponsor must submit to the Exchange a declaration in the terms of rules 3A.14 to 3A.16 and in the form of Appendix [19].
- 3A.14 Each sponsor must confirm that all of the documents required by the Exchange Listing Rules to be submitted to the Exchange on or before the date of issue of the listing document and in connection with the new applicant's listing application have been submitted.
- 3A.15 Having made reasonable due diligence inquiries, each sponsor must confirm that it has reasonable grounds to believe and does believe that:
- (1) the answers provided by each director or proposed director of the new applicant in the director's declaration(s) in the form at Appendix [5B] are true and do not omit any material information;
 - (2) the new applicant is in compliance with all the conditions in Chapter 8 of the Exchange Listing Rules, in particular, rules 8.02, 8.03, 8.05B, 8.06, 8.07, 8.10, 8.11, 8.12, 8.13, 8.13A, 8.14, 8.15, 8.16, 8.17, 8.18, 8.19, 8.20 and 8.21A (except to the extent that compliance with those rules has been waived by the Exchange in writing);
 - (3) the listing document contains sufficient particulars and information to enable a reasonable person to form as a result thereof a valid and justifiable opinion of the shares and the financial condition and profitability of the new applicant at the time of the issue of the listing document;
 - (4) the information in the non-expert sections of the listing document:
 - (a) contains all information required by relevant legislation and rules;
 - (b) is true in all material respects, or, to the extent it consists of opinions or forward looking statements on the part of the directors of the new applicant or any other person, such opinions or forward looking statements have been made after due and careful consideration and on bases and assumptions that are fair and reasonable; and
 - (c) does not omit material information;
 - (5) the new applicant has established procedures, systems and controls (including accounting and management systems) which are adequate having regard to the obligations of the new applicant and its directors to comply with the Exchange Listing Rules and other relevant legal and regulatory requirements (in particular rules 13.09, 13.10, 13.46, 13.48 and 13.49, Chapters 14 and 14A and Appendix 16) and which are sufficient to enable the new applicant's directors to make a proper assessment of the financial position and prospects of the new applicant and its subsidiaries, both before and after listing; and
 - (6) the directors of the new applicant collectively have the experience, qualifications and competence to manage the new applicant's business and comply with the Exchange Listing Rules, and individually have the experience, qualifications and competence to perform their individual roles, including an understanding of the nature of their obligations and those of the new applicant as an issuer under the Exchange Listing Rules and other legal or regulatory requirements relevant to their

role.

3A.16 In relation to each expert section in the listing document, having made reasonable due diligence inquiries, the sponsor must confirm that it has reasonable grounds to believe and does believe (to the standard reasonably expected of a sponsor which is not itself expert in the matters dealt with in the relevant expert section) that:

- (1) where the expert does not conduct its own verification of any material factual information on which the expert is relying for the purposes of any part of the expert section, such factual information is true in all material respects and does not omit any material information. Factual information includes:
 - (a) factual information that the expert states the expert is relying on;
 - (b) factual information the sponsor believes the expert is relying on; and
 - (c) any supporting or supplementary information given by the expert or new applicant to the Exchange relating to an expert section;
- (2) all bases and assumptions on which the expert sections of the listing document are founded are fair, reasonable and complete;
- (3) the expert is appropriately qualified, experienced and sufficiently resourced to give the relevant opinion;
- (4) the expert's scope of work is appropriate to the opinion given and the opinion required to be given in the circumstances (where the scope of work is not set by a relevant professional body);
- (5) the expert is independent from the new applicant and its directors and controlling shareholder(s); and

Note: The Exchange will consider an expert to be independent for the purposes of this rule if it meets criteria equivalent to that set out in rule 3A.07 (where the standard of independence is not set by a relevant professional body).

- (6) the listing document fairly represents the views of the expert and contains a fair copy of or extract from the expert's report.

Termination of a sponsor's role

3A.17 In the case of resignation by, or termination of, the sponsor during the processing of the initial listing application:

- (1) the new applicant must immediately notify the Exchange of the resignation or termination; and
- (2) if the departing sponsor was the sole independent sponsor, then the replacement sponsor must immediately notify the Exchange of its appointment and re-submit, on behalf of the new applicant, a listing application detailing a revised timetable together with a further non-refundable initial listing fee in accordance with Chapter 9 and the declarations and undertakings required by this Chapter.

Note: See also rule 9.03. Amongst other things, this provides that any initial listing fee already paid will, in such circumstances, be forfeited by the new applicant.

3A.18 For the avoidance of doubt, a replacement sponsor shall not be regarded as having satisfied any of the obligations of a sponsor by virtue of work performed by a predecessor sponsor.

Appointment of a Compliance Adviser

3A.19 A listed issuer must appoint a Compliance Adviser for the period commencing on the date of initial listing of the listed issuer's equity securities and ending on the date on which the listed issuer complies with rule 13.46 in respect of its financial results for the first full financial year commencing after the date of its initial listing. The Compliance Adviser must be acceptable to the Exchange.

3A.20 At any time after the Fixed Period, the Exchange may direct a listed issuer to appoint a Compliance Adviser for such period and to undertake such role as may be specified by the Exchange. In the event of such an appointment the Exchange will specify the circumstances in which the listed issuer must consult the Compliance Adviser and the responsibilities the Compliance Adviser must discharge. The Compliance Adviser must discharge those responsibilities with due care and skill. For the purpose of this rule, a listed issuer may appoint a different Compliance Adviser to that it appointed pursuant to rule 3A.19.

Note: The Exchange will normally consider directing the appointment of a Compliance Adviser when a listed issuer has been held to have breached the Exchange Listing Rules, particularly when the breaches are persistent or serious or give rise to concerns about the adequacy of compliance arrangements or the directors' understanding of, and their obligations to comply with the Exchange Listing Rules. It is also open to the Exchange to direct the appointment in other appropriate circumstances. It is the responsibility of the listed issuer to pay the reasonable fees of the Compliance Adviser.

Compliance Adviser's undertaking to the Exchange

3A.21 Each Compliance Adviser must give an undertaking to the Exchange in the terms set out in rule 3A.22 below and in the form in Appendix [20]. Compliance Advisers must give the undertaking no later than the earlier of:

- (1) immediately the Compliance Adviser agrees its terms of engagement with the listed issuer; and
- (2) the Compliance Adviser commencing work for the listed issuer.

3A.22 Each Compliance Adviser must undertake to:

- (1) comply with the Exchange Listing Rules applicable to Compliance Advisers; and
- (2) cooperate in any investigation conducted by the Listing Division and/or the Listing Committee of the Exchange, including answering promptly and openly any questions addressed to the Compliance Adviser, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which the Compliance Adviser is requested to appear.

3A.23 During the Fixed Period, a listed issuer must consult with and, if necessary, seek advice from its Compliance Adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where the listed issuer proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of the listed issuer deviate from any forecast, estimate, or other information in the listing document; and
- (4) where the Exchange makes an inquiry of the listed issuer under rule 13.10.

3A.24 When a Compliance Adviser is consulted by a listed issuer in the circumstances set out in rule 3A.23 above it must discharge the following responsibilities with due care and skill:

- (1) ensure the listed issuer is properly guided and advised as to compliance with the Exchange Listing Rules and all other applicable laws, rules, codes and guidelines;
- (2) accompany the listed issuer to any meetings with the Exchange, unless otherwise requested by the Exchange;
- (3) no less frequently than at the time of reviewing the financial reporting of the listed issuer under rule 3A.23(1) above and upon the listed issuer notifying the Compliance Adviser of a proposed change in the use of proceeds of the initial public offering under rule 3A.23(3) above, discuss with the listed issuer:
 - (a) the listed issuer's operating performance and financial condition by reference to the listed issuer's business objectives and use of issue proceeds as stated in its listing document;
 - (b) compliance with the terms and conditions of any waivers granted from the Exchange Listing Rules;
 - (c) whether any profit forecast or estimate in the listing document will be or has been met by the listed issuer and advise the listed issuer to notify the Exchange and inform the public in a timely and appropriate manner; and
 - (d) compliance with any undertakings provided by the listed issuer and its directors at the time of listing, and, in the event of non-compliance, discuss the issue with the listed issuer's board of directors and make recommendations to the board regarding appropriate remedial steps;
- (4) if required by the Exchange, deal with the Exchange in respect of any or all matters listed in rule 3A.23;
- (5) in relation to an application by the listed issuer for a waiver from any of the requirements in Chapter 14A, advise the listed issuer on its obligations and in particular the requirement to appoint an independent financial adviser; and
- (6) assess the understanding of all new appointees to the board of the listed issuer regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the Compliance Adviser forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the board and make recommendations to the board regarding appropriate remedial steps such as training.

Impartiality of Compliance Advisers

3A.25 A Compliance Adviser must perform its duties with impartiality.

Termination of a Compliance Adviser's role

3A.26 A listed issuer may terminate a Compliance Adviser's role only if the Compliance Adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable by the listed issuer to the Compliance Adviser.

3A.27 In the case of resignation by, or termination of, a Compliance Adviser, a replacement Compliance Adviser must be appointed by the listed issuer within 3 months of the effective date of resignation or termination (as the case may be).

Application of other rules

3A.28 Insofar as the Exchange Listing Rules impose a higher standard of conduct on sponsors or Compliance Advisers to that set out in the Commission's Corporate Finance Adviser Code of Conduct, the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, the Takeovers Code, the Share Repurchases Code and all other relevant codes and guidelines applicable to them, the Exchange Listing Rules will prevail.

- Notes:
1. The Exchange notes that paragraph 4.4 of the Corporate Finance Adviser Code of Conduct requires that all requirements applicable to sponsors as set out in the Exchange Listing Rules be satisfied.
 2. The Exchange also reminds sponsors and Compliance Advisers of their other statutory obligations including but not limited to those under the Securities and Futures Ordinance.

Chapter 8

- 8.21A (1) A new applicant must include a working capital statement in the listing document. In making this statement the new applicant must be satisfied after due and careful enquiry that it and its subsidiary undertakings, if any, have available sufficient working capital for the group's present requirements, that is for at least the next 12 months from the date of publication of the listing document. The sponsor to the new applicant must also confirm to the Exchange in writing that:
- (a) it has obtained written confirmation from the new applicant that the working capital available to the group is sufficient for its present requirements, that is for at least the next 12 months from the date of publication of the listing document; and
 - (b) it is satisfied that this confirmation has been given after due and careful enquiry by the new applicant and that the persons or institutions providing finance have stated in writing that the relevant financing facilities exist.
- (2) The Exchange will not require a working capital statement to be made by a new applicant, whose business is entirely or substantially that of the provision of financial services, provided the Exchange is satisfied that:
- (a) the inclusion of such a statement would not provide significant information for investors; and
 - (b) the new applicant's solvency and capital adequacy are subject to prudential supervision by another regulatory body.

Note: Refer to Chapter 3A for other sponsor obligations.

- 8.21B Pre-deal research issued by the sponsor, each of the underwriters or their respective associates must not incorporate any profit forecast or other forward looking statements unless such statements are included, in substantially the same form, in the new applicant's listing document.

Note: Refer to Chapter 3A for other sponsor obligations.

Chapter 9

9.14 In the case of a new applicant, as soon as practicable after the hearing of the application by the Listing Committee but on or before the date of issue of the listing document and, in the case of a listed issuer, on or before the date of issue of the listing document, the following documents must be supplied to the Exchange: –

- (1)
 - (a) four copies of the listing document one of which must be dated and signed by every person who is named therein as a director or proposed director of the issuer or by his agent authorised in writing and by the secretary or, in the case of a capitalisation issue, one of which has been dated and signed by the secretary;
 - (b) four copies of the formal notice, where applicable;
 - (c) four copies of any application form (including any excess or preferential application form) to subscribe or purchase the securities for which listing is sought; and
 - (d) where any document referred to in (a) above is signed by an agent, a certified copy of the authorisation for such signature;
- (2) a certified copy of every letter, report, financial statement, statement of adjustments, valuation, contract, resolution or other document any part of which is extracted or referred to in the listing document, other than, in the case of a capitalisation issue, the annual report and accounts and the certified copies of every resolution extracted or referred to in the listing document supporting the capitalisation issue;
- (3) a certified copy of the written consent by any expert to the issue of the listing document with the inclusion therein of the following in the form and context in which they are included: –
 - (a) a statement purporting to be a copy of or extract from or summary of or reference to a report or valuation or other statement by such expert; and
 - (b) any recommendation by such expert in relation to acceptance or rejection of an offer or proposal;
- (4) in the case of an offer for subscription or offer for sale, 25 copies of each of the English language version and the Chinese language version of the listing document and relative application form;
- (5) in any other case, 25 copies of each of the English language version and the Chinese language version of the listing document and relative application form (including any excess application form);
- (6) a copy of the written notification issued by HKSCC stating the securities will be Eligible Securities; ~~and~~
- (7) every written undertaking from the applicant, its shareholders and/or other relevant parties to the Exchange referred to in the listing document; ~~and~~
- (8) the original signed sponsor declaration(s) required by rule 3A.13.

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

Preliminary

13.02 This Chapter sets out certain of the continuing obligations which an issuer is required to observe once any of its securities have been admitted to listing. Additional continuing obligations are set out in the following Chapters:

Chapter 3	-	Sponsors , Authorised Representatives and Directors
<u>Chapter 3A</u>	-	<u>Sponsors and Compliance Advisers</u>
Chapter 4	-	Accountants' Reports and Pro Forma Financial Information
Chapter 6	-	Suspension, Cancellation and Withdrawal of Listing
Chapter 8	-	Qualifications for Listing
Chapter 10	-	Restrictions on Purchase and Subscription
Chapter 11	-	Listing Documents
Chapter 12	-	Publication Requirements
Chapter 14	-	Notifiable Transactions
Chapter 14A	-	Connected Transactions
Appendix 16	-	Disclosure of Financial Information.

Additional and alternative requirements relating to continuing obligations are set out in Chapters 18, 19, 19A, 20 and 21 dealing with mineral companies, overseas issuers, issuers incorporated in the People's Republic of China, authorised Collective Investment Schemes and investment companies.

The continuing obligations applicable to issuers having debt securities in issue are set out in the listing agreement set out in Parts C, D and E of Appendix 7.

13.80 An independent financial adviser appointed under rule 13.39(6)(b) or rule 19.05(6)(a)(iii) must take all reasonable steps to satisfy itself that:

(1) it has a reasonable basis for making the statements required by paragraphs (1) to (5) of rule 14A.22; and

(2) without limiting the generality of paragraph (1) above, there is no reason to believe any of the following information is not true or omits a material fact:

(a) any information relied on by the independent financial adviser in forming its opinion; or

(b) any information relied on by any third party expert on whose opinion or advice the independent financial adviser relies in forming its opinion.

Notes: 1. For the purposes of this rule, the Exchange expects that the reasonable steps an independent financial adviser will typically perform will include the following:

(a) obtaining all information and documents of the issuer relevant to an assessment of the fairness and reasonableness of the terms of the transaction, for example, if the transaction involves the purchase or sale of products or services, information and documents showing the prices at which the issuer buys and sells such products and services to independent third parties;

(b) researching the relevant market and other conditions and trends relevant to the pricing of the transaction;

(c) reviewing the fairness, reasonableness and completeness of any assumptions or projections relevant to the transaction;

(d) without limiting the generality of paragraph (c) above, in relation to any third party expert providing an opinion or valuation relevant to the transaction:

(i) interviewing the expert including as to its expertise and any current or prior relationships with the issuer, other parties to the transaction and connected persons of either the issuer or another party to the transaction;

(ii) reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report, opinion or statement); and

(iii) where the independent financial adviser is aware the issuer or another party to the transaction has made formal or informal representations to the expert, assessing whether the representations are in accordance with the independent financial adviser's knowledge; and

(e) if there have been any relevant alternative offers made (for example, offers made recently for the same asset), then reviewing and assessing such alternative offers and the reasons given, if any, by the management for rejecting these offers.

2. The Exchange expects the independent financial adviser will ensure the letter referred to at rule 14A.22 takes account of the following principles:

(a) the source for any fact which is material to an argument should be clearly stated, including sufficient detail to enable the significance of the fact to be assessed; however, if the fact has been included in a document recently sent to shareholders, an appropriate cross reference may instead be made;

(b) a quotation (for example, from a newspaper or a stockbroker circular) should not be used out of context and details of the origin should be included. Since quotations will necessarily carry the implication that they are endorsed by the independent financial

adviser, quotations should not be used unless the independent financial adviser has corroborated or substantiated them;

(c) pictorial representations, charts, graphs and diagrams should be presented without distortion and, when relevant, should be to scale; and

(d) any comparables referred to in a document must be a fair and representative sample. The bases for compiling such comparables must be clearly stated in the document.

13.81 The issuer must:

(1) afford any independent financial adviser it appoints pursuant to rule 13.39(6)(b) or rule 19.05(6)(a)(iii) full access at all times to all persons, premises and documents relevant to the independent financial adviser's performance of its duties as set out in the Exchange Listing Rules. In particular, terms of engagement with experts retained to perform services related to the transaction should contain clauses entitling the independent financial adviser access to:

(a) any such expert;

(b) the expert's reports, draft reports (both written and oral), and terms of engagement;

(c) information provided to or relied on by the expert;

(d) information provided by the expert to the Exchange or Commission; and

(e) all other correspondence exchanged between the issuer or its agents and the expert or between the expert, the issuer and the Exchange or Commission;

Note: The Exchange expects that access to documents for the purposes of this rule would include the right to take copies of the documents without charge.

(2) keep the independent financial adviser it appoints informed of any material change to any information previously given to or accessed by the independent financial adviser pursuant to paragraph (1) above; and

(3) provide to or procure for the independent financial adviser all necessary consents to the provision of the information referred to in paragraphs (1) and (2) above to the independent financial adviser.

13.82 An independent financial adviser must be appropriately licensed by the Commission and must discharge its responsibilities with due care and skill.

13.83 An independent financial adviser must perform its duties with impartiality.

13.84 An independent financial adviser must be independent from any issuer for whom it acts. An independent financial adviser is not independent if any of the following circumstances exist as at the time of making the declaration required by rule 13.85(1):

(1) the IFA group and any director or associate of a director of the independent financial adviser holds, directly or indirectly, in aggregate more than 5% of the issued share capital of the issuer, another party to the transaction, or an associate or connected person of the issuer or another party to the transaction;

(2) any member of the IFA group or any director or associate of a director of the independent financial adviser is an associate or connected person of the issuer or another party to the transaction;

(3) any of the following exceeds 10% of the total assets shown in the latest consolidated financial statements of the independent financial adviser's ultimate

holding company or, where there is no ultimate holding company, the independent financial adviser:

(a) the aggregate of:

(i) amounts due to the IFA group from:

(A) the issuer;

(B) the issuer's subsidiaries;

(C) any controlling shareholder of the issuer; and

(D) any associates of any controlling shareholder of the issuer; and

(ii) all guarantees given by the IFA group on behalf of:

(A) the issuer;

(B) the issuer's subsidiaries;

(C) any controlling shareholder of the issuer; and

(D) any associates of any controlling shareholder of the issuer;

(b) the aggregate of:

(i) amounts due from the IFA group to:

(A) the issuer;

(B) the issuer's subsidiaries; and

(C) any controlling shareholder of the issuer; and

(ii) all guarantees given on behalf of the IFA group by:

(A) the issuer;

(B) the issuer's subsidiaries; and

(C) any controlling shareholder of the issuer;

(c) the aggregate of:

(i) amounts due from the IFA group to any of the following (referred to in this rule as "the Other Parties"):

(A) another party to the transaction;

(B) any holding company of another party to the transaction;

(C) any subsidiary of any holding company of another party to the transaction;

(D) any controlling shareholder of:

(1) another party to the transaction; or

(2) any holding company of another party to the transaction,

which controlling shareholder is not, itself, a holding company of another party to the transaction; and

(E) any associate of any controlling shareholder referred to in paragraph (D) above; and

(ii) all guarantees given by any of the Other Parties on behalf of the IFA group; and

- (d) the aggregate of:
- (i) amounts due to the IFA group from any of the Other Parties; and
 - (ii) all guarantees given by the IFA group on behalf of any of the Other Parties;
- (4) any of the following has a current business relationship with the issuer or another party to the transaction, or a director, subsidiary, holding company or substantial shareholder of the issuer or another party to the transaction, which would be reasonably considered to affect the independent financial adviser's independence in performing its duties as set out in the Exchange Listing Rules, or might reasonably give rise to a perception that the independent financial adviser's independence would be so affected, save and except where that relationship arises pursuant to the independent financial adviser's appointment for the purpose of providing the subject advice:
- (a) any member of the IFA group;
 - (b) an employee of the independent financial adviser who is directly engaged in providing the subject advice to the issuer;
 - (c) an associate of an employee of the independent financial adviser who is directly engaged in providing the subject advice to the issuer;
 - (d) a director of any member of the IFA group; or
 - (e) an associate of a director of any member of the IFA group;
- (5) within 2 years prior to making the declaration pursuant to rule 13.85(1):
- (a) a member of the IFA group has served as a financial adviser to:
 - (i) the issuer or its subsidiaries;
 - (ii) another party to the transaction or its subsidiaries; or
 - (iii) a connected person of the issuer or another party to the transaction; or
 - (b) without limiting paragraph (a), an employee or a director of the independent financial adviser who is directly engaged in providing the subject advice to the issuer:
 - (i) was employed by or was a director of another firm that served as a financial adviser to any of the entities referred to at paragraphs (a)(i) to (a)(iii) above; and
 - (ii) in that capacity, was directly engaged in the provision of financial advice to the issuer or another party to the transaction;
- (6) the independent financial adviser or a member of the IFA group is the issuer's auditor or reporting accountant.

Notes: 1. In addition to it being a breach of the Exchange Listing Rules, if it comes to the Exchange's attention that an independent financial adviser is not independent, the Exchange will not accept documents produced by that independent financial adviser for any purpose required under the Exchange Listing Rules in relation to the subject transaction.

2. In calculating the percentage figure of shares that it holds or will hold for the purposes of sub-paragraphs (1), (2) and (4), an entity is not required to include an interest:

- (a) held by an investment entity on behalf of its discretionary clients;
- (b) held by a fund manager on a non-discretionary basis such as a managed account or managed fund;
- (c) held in a market-making capacity;
- (d) held in a custodial capacity;
- (e) in shares that would be disregarded for the purposes of Divisions 2 to 4 of Part XV of the Securities and Futures Ordinance under section 323 of that Ordinance; or
- (f) in shares held by a member of the entity's group that is an investment manager whose interest would not be aggregated with its holding company under section 316(2) of the Securities and Futures Ordinance by reason of the operation of section 316(5) of that Ordinance.

For these purposes "investment manager" has the meaning given to it in section 316(7) of the Securities and Futures Ordinance.

- 3. For the purposes of this rule, ultimate holding company means a holding company that itself does not have a holding company.

13.85 No later than the earlier of the independent financial adviser agreeing its terms of engagement with the issuer and the independent financial adviser commencing work as independent financial adviser to the issuer, the independent financial adviser must submit to the Exchange:

- (1) a declaration in the prescribed form set out in Appendix [21] to the effect that the independent financial adviser is independent, including a statement addressing each of the circumstances set out in rule 13.84; and
- (2) an undertaking, in the terms set out in Appendix [22] to:
 - (a) comply with the Listing Rules; and
 - (b) co-operate in any investigation conducted by the Listing Division and/or the Listing Committee of the Exchange, including answering promptly and openly any questions addressed to the independent financial adviser, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which the independent financial adviser is requested to appear.

13.86 Where an independent financial adviser or issuer becomes aware of a change in the circumstances set out in the declaration required by rule 13.85(1) during the period the independent financial adviser is engaged by the issuer, the independent financial adviser or issuer must notify the Exchange as soon as possible upon that change occurring.

13.87 Insofar as the Exchange Listing Rules impose a higher standard of conduct on independent financial advisers to that set out in the Commission's Corporate Finance Adviser Code of Conduct, the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, the Takeovers Code, the Share Repurchases Code and all other relevant codes and guidelines applicable to them, the Exchange Listing Rules will prevail.

Note: The Exchange also reminds independent financial advisers of their other statutory obligations including but not limited to those under the Securities and Futures Ordinance.

Chapter 19A

Chapter 3A — Sponsors and Compliance Advisers, Authorised Representatives and Directors

19A.05 (1) ~~[Repealed 1 January 2005] Rule 3.02 is modified so as to require a PRC issuer who is a new applicant to retain for at least one year (or such shorter period as the Exchange may, in its absolute discretion, permit) following its listing the services of its sponsor, or other financial adviser or professional firm which is acceptable to the Exchange, to provide such issuer with professional advice on continuous compliance with the Exchange Listing Rules, and to act at all times, in addition to the two authorised representatives of such issuer appointed pursuant to rule 3.05, as such issuer's principal channel of communication with the Exchange.~~

~~Note 1: In exercising its discretion regarding the period for which a sponsor must be retained by the PRC issuer, the Exchange will have to be satisfied that effective alternative arrangements are in place to ensure continuing compliance with the Exchange Listing Rules and applicable laws and regulations, including, without limitation, whether such issuer has any management presence in Hong Kong and whether such issuer's secretary is ordinarily resident in Hong Kong and meets the other requirements in rule 8.17.~~

~~Note 2: After the expiration of the initial one-year sponsorship, the PRC issuer has the discretion to continue its sponsor's appointment or not, depending on its own circumstances. The Exchange wishes to remind the PRC issuers and the sponsors that both of them should bring to the Exchange's attention any change in their sponsorship arrangement, including its termination after the initial one-year period.~~

- (2) The PRC issuer should ensure that the ~~sponsor~~Compliance Adviser retained by it has access at all times to its authorised representatives, directors and other officers and should procure that such persons provide promptly to the ~~sponsor~~Compliance Adviser such information and assistance as the ~~sponsor~~Compliance Adviser may need or may reasonably request in connection with the performance of the ~~sponsor~~Compliance Adviser's duties as set ~~out~~forth in ~~Chapter 3A and~~ rule 19A.06. The PRC issuer should also ensure that there are adequate and efficient means of communication between itself, its authorised representatives, directors and other officers and the ~~sponsor~~Compliance Adviser and should keep the ~~sponsor~~Compliance Adviser fully informed of all communications and dealings between it and the Exchange.
- (3) Rules 3A.26 and 3A.27 are modified so as to:
- (a) require that the PRC issuer not terminate the role of a Compliance Adviser until the PRC issuer has appointed a replacement Compliance Adviser;
 - (b) require that during the Fixed Period the PRC issuer and the Compliance Adviser immediately notify the Exchange of termination or resignation of the Compliance Adviser, in each case stating the reason for termination or resignation, as applicable; and
 - (c) require that the PRC issuer and the new Compliance Adviser immediately notify the Exchange of the new Compliance Adviser's appointment.

~~The PRC issuer should not terminate the role of such a sponsor until the PRC issuer has appointed a replacement acceptable to the Exchange. Where such sponsor's role is terminated by the PRC issuer, both the PRC issuer and the former sponsor should immediately notify the Exchange of such termination, in each case stating the reason why such appointment was terminated, and the PRC issuer and the new sponsor should immediately notify the Exchange of the new sponsor's appointment.~~

- (4) If the Exchange is not satisfied that the sponsor or Compliance Adviser is fulfilling its responsibilities under Chapter 3A and rules 19A.05(1) and 19A.06 adequately, the Exchange may require the PRC issuer to terminate the sponsor's or Compliance Adviser's appointment and appoint a replacement as soon as possible. The PRC issuer and the new sponsor or Compliance Adviser should immediately notify the Exchange of the new sponsor's or Compliance Adviser's appointment.

19A.06 In addition to the responsibilities of sponsors and Compliance Advisers set out in Chapter 3A of the Exchange Listing Rules, the requirements of rule 3.04 are replaced in their entirety by the following provisions:—

- (1) ~~given the P~~particular importance ~~is~~ attached to the sponsor's role, ~~the sponsor~~ in sponsoring a PRC issuer for listing, ~~the sponsor~~ has a particular responsibility to satisfy himself, on all available information, that the PRC issuer is suitable to be listed and that its directors and supervisors appreciate the nature of their responsibilities and can be expected to honour their obligations under their directors' or supervisors' undertakings, the Exchange Listing Rules and under applicable PRC law and regulations. In particular, the sponsor must be satisfied that the directors of the PRC issuer understand what is required of them under the Exchange Listing Rules and applicable laws and regulations.:-
- (2) ~~If~~ the securities of the PRC issuer also are or are to be listed on one or more stock exchanges, the sponsor must make a written submission to the Exchange stating whether in the sponsor's opinion the PRC issuer's directors appreciate the differences as well as the similarities between H shares and the shares listed on such other stock exchanges and between the rights and obligations of holders of such shares, and the basis for such opinion. The sponsor must also explain how the PRC issuer's directors propose to coordinate and comply in a timely manner with their obligations under the requirements of the Exchange and such other stock exchanges.:-
- (3) ~~In its role after listing,~~ the Compliance Adviser~~sponsor~~ must inform the PRC issuer on a timely basis of any amendment or supplement to the Exchange Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to such issuer. Without limiting the generality of Chapter 3A~~rule 19A.05(1)~~, the Compliance Adviser~~sponsor~~ must provide advice to such issuer on the continuing requirements under the Exchange Listing Rules and applicable laws and regulations.:- and
- (4) ~~Where~~ the authorised representatives of the PRC issuer are expected to be frequently outside Hong Kong, the Compliance Adviser~~sponsor~~ must act as the PRC issuer's principal channel of communication with the Exchange in Hong Kong. The Compliance Adviser~~sponsor~~ must also provide the Exchange with the names, home and office telephone numbers and where available, facsimile numbers, of at least one of its officers and an alternate who will act as the Compliance Adviser~~sponsor's~~ contact with the Exchange and the PRC issuer.

19A.22 In addition to the documentary requirements of rules 9.11 to 9.15, the following documents must be lodged with the Exchange for initial review, in the case of (1) to (4) below at least 20 clear business days prior to the expected hearing date, in the case of (5) below at least 15 clear business days prior to the expected hearing date and in the case of

(6) below at least 10 clear business days prior to the expected hearing date:

(1) four copies of the sponsor's submission referred to in rule 19A.06(2), where applicable;

Note: The application form referred to in rule 9.11(11), the temporary document of title referred to in rule 9.11(13) and the definitive certificate or other document of title referred to in rule 9.11(14), including the form of instrument of transfer relating to the equity securities which are the subject of the PRC issuer's application for listing, all must contain the statements, to be appropriately highlighted to the satisfaction of the Exchange, required by and referred to in rule 19A.52 prescribed for a PRC issuer.

(2) four copies of each draft contract between the PRC issuer and every director and officer, each of which must contain the undertakings and arbitration clause required by and referred to in rule 19A.54 and which must be marked in the margin to indicate where such provisions appear;

(3) four copies of each draft contract between the PRC issuer and every supervisor, each of which must contain the undertakings and arbitration clause required by and referred to in rule 19A.55 and which must be marked in the margin to indicate where such provisions appear;

(4) four copies of the draft contract between the PRC issuer and its sponsor which addresses the requirements set forth in rules [3A.19](#), 19A.05 and 19A.06;

(5) for the purpose of the declaration and undertaking under rule 9.11(7), a formal declaration relating to any other business activities and undertaking, in the form set out in Form H in Appendix 5, duly signed by each director and proposed director, and in the form set out in Form I in Appendix 5, duly signed by each supervisor and proposed supervisor (or promptly after any supervisor is elected); and

(6) four copies of the draft legal opinion by the PRC issuer's Hong Kong legal advisers, citing and attaching the legal opinion by competent PRC lawyers, concerning the due incorporation and legal person status of the PRC issuer as a joint stock limited company (股份有限公司) under PRC law.

Chapter 21

INVESTMENT VEHICLES

INVESTMENT COMPANIES

General

21.03 New applicants are reminded (see [Chapter 3A, in particular rule 3A.02](#)~~rule 3.04~~) that they must be sponsored by a sponsor who is responsible for preparing the new applicant for listing, for lodging the formal application for listing and all supporting documents with the Exchange and for dealing with the Exchange on all matters arising in connection with the application. The sponsor of an investment company need not be independent of the management company or the investment adviser, if any.

Practice Note [21]: Due diligence by sponsors in respect of initial listing applications

1. This Practice Note should be read together with Chapter 3A of the Exchange Listing Rules. Chapter 3A, amongst other things, requires that sponsors conduct reasonable inquiries (“due diligence”) to enable the sponsor to make a declaration in the terms of rules 3A.14 to 3A.16.
2. The sponsor should make such inquiries as may be necessary until the sponsor can reasonably satisfy itself in relation to the disclosure in the listing document. In undertaking its role a sponsor should examine with professional scepticism the accuracy and completeness of statements and representations made, or other information given, to it by the new applicant or its directors. An attitude of professional scepticism means making a critical assessment with a questioning mind and being alert to information, including information from experts, that contradicts or brings into question the reliability of such statements, representations and information.
3. This Practice Note sets out the Exchange’s expectations of due diligence sponsors will typically perform. It is not in any way intended to set out the actual steps that may be appropriate in any particular case. Each new applicant is unique and so will be the due diligence steps necessary for the purpose of its listing application. The scope and extent of appropriate due diligence by a sponsor may be different from (and in some cases, considerably more extensive than) the more typical examples in this Practice Note. The sponsor must exercise its judgment as to what investigations or steps are appropriate for a particular new applicant and the extent of each step.
4. The Exchange expects sponsors to document their due diligence planning and significant deviations from their plans. This includes demonstrating that they have turned their minds to the question of what inquiries are necessary and reasonably practicable in the context and circumstances of the case. The Exchange also expects sponsors to document the conclusions they reach in respect of the new applicant’s compliance with all the conditions in Chapter 8 of the Exchange Listing Rules, in particular, rules 8.02, 8.03, 8.05B, 8.06, 8.07, 8.10, 8.11, 8.12, 8.13, 8.13A, 8.14, 8.15, 8.16, 8.17, 8.18, 8.19, 8.20 and 8.21A taking into account the extent to which compliance with those rules has been waived by the Exchange.
5. It may be appropriate for a sponsor to engage third party professionals to assist it to undertake tasks related to certain due diligence inquiries. For example, assistance in reviewing the circumstances of all current legal proceedings to which the new applicant is a party. In such cases, the Exchange expects the sponsor to satisfy itself that it is reasonable to rely on information or advice provided by the third party professional. That would include, for example:
 - a) being satisfied as to the competence of the professional, the scope of work to be undertaken by the professional and the methodology proposed to be used by the professional; and
 - b) being satisfied that the third party professional’s report or opinion is consistent with the other information known to the sponsor about the new applicant, its business and its business plans.
6. The Exchange reminds sponsors of their other obligations including but not limited to those under the Exchange Listing Rules more generally, the SFC Corporate Finance Adviser Code of Conduct, the Takeovers Code, the Code on Share Repurchases, the Securities and Futures Ordinance and all other relevant ordinances, codes, rules and

guidelines applicable to sponsors. Nothing in this Practice Note detracts from or diminishes those obligations.

Interpretation of this Practice Note

7. Unless otherwise stated, all terms used in this Practice Note have the meanings attributed to them in the Exchange Listing Rules.
8. All references in this Practice Note to the new applicant's listing document include supporting or supplementary documents, for example, correspondence with the Exchange in relation to the new applicant's initial listing application and relied on by the Exchange in assessing that application.
9. All references in this Practice Note to the new applicant include the new applicant's group of companies.
10. Unless otherwise stated, all references in this Practice Note to directors include executive and non-executive directors.

Due diligence

11. Typical due diligence inquiries in relation to the collective and individual experience, qualifications, competence and integrity of the directors include:
 - a) reviewing written records that demonstrate each director's past performance as a director of the new applicant including participation in board meetings and decision making relating to the management of the new applicant and its business;
 - b) assessing individually and collectively the financial literacy, corporate governance experience and competence generally of the directors with a view to determining the extent to which the board of the new applicant as a whole has a depth and breadth of financial literacy and understanding of good corporate governance, having regard to any code on corporate governance practices that the Exchange publishes from time to time; and
 - c) reviewing the financial and regulatory track record of each publicly listed company (this includes companies listed on other exchanges as well as on the Exchange) of which any of the new applicant's directors is or was an executive or non-executive director, for example, by reference to company disclosures, media articles and information about those companies on the website of the relevant stock exchange.
12. Typical due diligence inquiries in relation to the new applicant's compliance with the qualifications for listing include:
 - a) searching the company registry in the new applicant's place of incorporation to confirm that the new applicant is duly established in that place and that the new applicant is in compliance with its memorandum and articles of association or equivalent constitutive documents;
 - b) reviewing material financial information, including:
 - (i) financial statements of the new applicant;
 - (ii) financial statements of all subsidiaries of the new applicant and other companies that are material to the group's financial statements; and

(iii) the internal financial records, tax certificates and supporting documents to the tax certificates for the trading record period.

Such review would in most cases include interviewing the new applicant's accounting staff and internal and external auditors and reporting accountants and, where relevant, obtaining comfort from the new applicant's external auditors or reporting accountants based upon agreed procedures; and

c) assessing the accuracy and completeness of the information submitted by the new applicant to demonstrate that it satisfies the trading record requirement.

13. Typical due diligence inquiries in respect of each new applicant and the preparation of its listing document and supporting information include:

a) assessing the financial information to be published in the listing document including:

(i) obtaining written confirmation from the new applicant and its directors that the financial information (other than that already reported upon by a reporting accountant) has been properly extracted from the relevant underlying accounting records; and

(ii) being satisfied that the confirmation referred to at paragraph (i) has been given after due and careful inquiry by the new applicant and its directors;

b) assessing the new applicant's performance and finances, business plan and any profit forecast or estimate, including an assessment of the reasonableness of budgets, projections and assumptions made when compared with past performance, including historical sales, revenue and investment returns, payment terms with suppliers, costs of financing, long-term liabilities and working capital requirements. This would normally include interviewing the new applicant's senior management and would often involve interviewing the new applicant's major suppliers and customers, creditors and bankers;

c) assessing whether there has been any change since the date of the last audited balance sheet included in the listing document that would require disclosure to ensure the listing document is complete and not misleading;

d) assessing whether it is reasonable to conclude that the proceeds of the issue will be used as proposed by the new applicant, taking into account the outcome of the sponsor's assessment of, in particular, the new applicant's existing cash and liquid reserves, projected liabilities, working capital requirements and expenditure controls;

e) undertaking a physical inspection of material assets, whether owned or leased, including property, plant, equipment, inventory and biological assets (for example, livestock or crops) used or to be used in connection with the new applicant's business;

Notes:

1. By physical inspection the Exchange means the sponsor should visit the site of the asset in order to view the asset and to assess its extent, quality and quantity and the purpose for which it is used.

2. Where, in the reasonable opinion of the sponsor, assessment of an asset, including as to its extent, quality, quantity and use, genuinely cannot be achieved without the use of an expert (for example, in undertaking the physical inspection the sponsor becomes suspicious that the asset does not exist as to the extent represented or exists but is not used for the

purpose claimed) the sponsor should ensure that the new applicant instructs an appropriately qualified independent expert to conduct all or part of the inspection. In such cases the sponsor should ensure the expert is required to provide a written report in respect of the inspection.

- f) reaching an understanding of the new applicant's production methods;
- g) reaching an understanding of the manner in which the new applicant manages its business, including as relevant actual or proposed marketing plans, including distribution channels, pricing policies, after-sales service, maintenance and warranties;
- h) reviewing the business aspects of all contracts material to the new applicant's business;

Note: By business aspects the Exchange means non-legal aspects.
- i) reviewing legal proceedings and other material disputes that are current or recently resolved (for example, resolved in the previous 12 months) and in which the new applicant is involved, and all proceedings or material disputes the new applicant knows to be contemplated and which may involve the new applicant or one of its subsidiaries;
- j) analysing the business aspects of economic, political or legal conditions that may materially affect the new applicant's business;
- k) considering the industry and target markets in which the new applicant's business has principally operated and is intended to principally operate, including geographical area, market segment and competition within that area and/or segment (including existing and potential principal competitors and their relative size, aggregate market share and profitability);
- l) assessing whether there is appropriate documentation in place to confirm that the material assets, whether owned or leased, including property, plant, equipment, inventory and biological assets used or to be used, in connection with the new applicant's business, are appropriately held by the new applicant (for example, reviewing the relevant certificates of title and rights of land use);
- m) assessing the existence, validity and business aspects of proprietary interests, intellectual property rights, licensing arrangements and other intangible rights of the new applicant;
- n) reaching an understanding of the technical feasibility of each new product, service or technology developed, being developed or proposed to be developed pursuant to the new applicant's business plan that may materially affect the new applicant's business; and
- o) assessing the stage of development of the new applicant's business and assessing the new applicant's business plan and any forecasts or estimates, including reaching an understanding of the commercial viability of its product(s), service(s) or technology, including an assessment of the risk of obsolescence as well as market controls, regulation and seasonal variation.

14. Typical due diligence inquiries in relation to the expert sections of the listing document include:

- a) interviewing the expert, reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report, opinion

or statement) and reviewing publicly available information about the expert to assess:

- (i) the expert's qualifications, experience and resources; and
- (ii) whether the expert is competent to undertake the required work;
- b) reviewing the expert sections of the draft listing document in order to form an opinion as to whether the following are disclosed and commented on appropriately:
 - (i) the factual information on which the expert relies;
 - (ii) the assumptions on which the expert opinion is based; and
 - (iii) the scope of work performed by the expert in arriving at his/her opinion;
- c) verifying factual information for the purpose of making that part of the declaration referred to at rule 3A.16(1);
- d) where the sponsor is aware that the new applicant has made formal or informal representations to an expert in respect of an expert section or in respect of a report made in connection with the listing application, assessing whether the representations are consistent with the sponsor's knowledge of the new applicant, its business and its business plans;
- e) by reference to the sponsor's knowledge of the new applicant, its business and its business plans assessing whether the assumptions disclosed by the expert as those on which the expert's opinion is based, are fair, reasonable and complete;
- f) if the expert's opinion is qualified, assessing whether the qualification is adequately disclosed in the listing document; and
- g) where the standard of independence is not set by a relevant professional body, obtaining written confirmation from the expert that it is independent from the new applicant and its directors and controlling shareholder(s), and being satisfied that there is no cause to inquire further about the truth of such confirmation. This would include confirming that the expert does not have a direct or indirect material interest in the securities or assets of the new applicant, its connected persons, or any associate of the new applicant beyond that allowed by rule 3A.07.

15. Typical due diligence inquiries in relation to the new applicant's accounting and management systems and in relation to the directors' appreciation of their and the new applicant's obligations include:

- a) assessing the new applicant's accounting and management systems that are relevant:
 - (i) to the obligations of new applicant and its directors to comply with the Exchange Listing Rules and other legal and regulatory requirements, in particular the financial reporting, disclosure of price sensitive information and notifiable and connected transaction requirements; and
 - (ii) to the directors' ability to make a proper assessment of the financial position and prospects of the new applicant and its subsidiaries, both before and after listing.

Such assessment should cover the new applicant's compliance manuals, policies and procedures including corporate governance policies and any letters given by the reporting accountants to the new applicant that comment on the new applicant's accounting and management systems or other internal controls; and

b) interviewing all directors and senior managers with key responsibilities for ensuring compliance with the Exchange Listing Rules and other legal and regulatory requirements (including the chief financial officer, company secretary, qualified accountant and any compliance officers) to assess:

(i) their individual and collective experience, qualifications and competence; and

(ii) whether they appear to understand relevant obligations under the Exchange Listing Rules and other relevant legal and regulatory requirements and the new applicant's policies and procedures in respect of those obligations.

16. To the extent that the sponsor finds that the new applicant's procedures or its directors and/or key senior managers are inadequate in any material respect in relation to the issues referred to at paragraph 15 above, the sponsor should typically discuss the inadequacies with the new applicant's board of directors and make recommendations to the board regarding appropriate remedial steps. It should also typically ensure that such steps be taken prior to listing. Such steps might include training tailored to the needs of individual directors and senior managers.

Appendix 5

Sponsor's Declaration

Form E

To: The Head of the Listing Division, _____ 20 ____
The Listing Division,
The Stock Exchange of Hong Kong Limited.

Dear Sir,

I, _____ being sponsor to
_____ [Name of issuer] (the "Issuer") hereby
declare to the best of my knowledge and belief having made all reasonable enquiries that:—

(1) **Offers for Subscription and Offers for Sale**

At the time of listing there will be _____ shareholders of the
securities to be listed.

(2) **Placings**

The securities have been placed as follows:—

- | No. | of | No. of securities placed | places |
|-----|--|--------------------------|--------|
| (3) | 25% of the total issued share capital of the Issuer [have been placed/will be held] in the hands of the public in accordance with rule 8.08 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") at the time of the Issuer's listing; and | | |
| (4) | Any subscription or purchase of the securities by a director or an existing shareholder has been in accordance with rules 10.03 or 10.04, as appropriate, of the Listing Rules. | | |
| (5) | All of the provisions of the Listing Rules, insofar as applicable and required to be fulfilled prior to the grant of the Issuer's listing, have been complied with, and I confirm that I have complied with all of the requirements laid down in the Model Code for Sponsors as contained in Appendix 9 to the Listing Rules. | | |

Yours faithfully,

Signed: _____

Name:

For and on behalf of
[Sponsor's name]

Appendix 9

Model Code for Sponsors

~~[Repealed 1 January 2005]The purpose of the model code is to give guidance to sponsors on the Exchange's minimum expectations of the sponsor's role. The model code should be seen as setting guidelines rather than rigid rules to be followed in every detail. But failure by a sponsor to meet the Exchange's expectations without reasonable cause may render that person unacceptable to perform the role of sponsor in future.~~

Guidelines

~~The following should be used as guidelines for sponsors in fulfilling their role as sponsor:~~

~~1.— A sponsor should satisfy himself, on the basis of all available information, that an issuer is suitable for listing.~~

~~2.— A sponsor should satisfy himself that the board of directors have the necessary range of skills and experience available.~~

~~3.— A sponsor should satisfy himself that the directors: —~~

~~(1) can be expected to prepare and publish all information necessary for an informed market to take place in the issuer's securities;~~

~~(2) appreciate the nature of the responsibilities they will be undertaking as directors of a listed issuer; and~~

~~(3) can be expected to honour their obligations both in relation to shareholders and to creditors. Such obligations include, in addition to those set out in the Exchange Listing Rules, those imposed in the Takeovers Code and the Code on Share Repurchases.~~

~~4.— A sponsor should satisfy himself that he has adequate resources to fulfil the role expected of a sponsor under the model code and that he will be capable of giving the issuer impartial advice before agreeing to accept the role.~~

~~5.— The sponsor should be closely involved in the preparation of the listing document and in ensuring that all material statements therein have been verified and that it complies with the Exchange Listing Rules and all relevant legislation.~~

~~6.—The sponsor must sign the listing application and lodge it, together with all supporting documentation, with the Exchange in accordance with Chapters 9 or 20 of the Exchange Listing Rules.~~

~~7.—The sponsor should deal with all matters arising in connection with the listing application which are raised by the Exchange.~~

~~8.—The sponsor should accompany the issuer at any meetings with the Exchange which the issuer is asked to attend.~~

~~9.—The sponsor should only terminate his role as sponsor in exceptional circumstances where he is no longer able satisfactorily to perform that role and only after first notifying the Exchange of such proposed termination and the reasons therefor.~~

~~10.—If the sponsorship role is terminated by the issuer, for a reason other than listing being granted, the ex-sponsor should immediately notify the Exchange of such termination stating the reason why he believes such appointment was terminated. The new sponsor should immediately notify the Exchange of his appointment.~~

~~11.—The sponsor must certify that he has read the answers which each director of the issuer is required to provide in response to the questions in Part 1 of the relevant forms of Declaration and Undertaking with regard to Directors set out in Appendix 5 and that at the date of certification he is not aware of any information that would lead a reasonable person to inquire further concerning the truthfulness, completeness or accuracy of any of the answers given. The certification shall be in the form provided in Part 3 of such form as set out in Appendix 5.~~

Appendix 17

Sponsor's undertaking

To: The Listing Division
The Stock Exchange of Hong Kong Limited

...../...../.....

We,, are a / the [cross out whichever is not applicable] sponsor appointed by (the "Company") for the purpose referred to in rule 3A.02 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and have offices located at

Pursuant to rule 3A.03 we undertake with The Stock Exchange of Hong Kong Limited (the "Exchange") that we shall:

- (a) comply with the Listing Rules from time to time in force and applicable to sponsors;
- (b) use reasonable endeavours to ensure that all information provided to the Exchange during the Company's listing application process, or for that part of it as we continue to be engaged by the Company, is true in all material respects and does not omit any material information and, to the extent that we subsequently become aware of information that casts doubt on the truth, accuracy or completeness of information provided to the Exchange, we will promptly inform the Exchange of such information; and
- (c) cooperate in any investigation conducted by the Listing Division and/or the Listing Committee of the Exchange, including answering promptly and openly any questions addressed to us, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which we are requested to appear.

Signature:

Name:

For and on behalf of: [insert the name of sponsor]

Dated:

and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any record or document, which is false or misleading in a material particular, will render relevant persons liable for prosecution for an offence under subsection 384(3) of the *Securities and Futures Ordinance*. If you have any queries you should consult the Exchange or your professional adviser immediately.

Appendix 19

Sponsor's declaration

To: The Listing Division
The Stock Exchange of Hong Kong Limited

...../...../.....

We,, are a / the [cross out whichever is not applicable] sponsor appointed by (the "Company") for the purpose referred to in rule 3A.02 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and have offices located at

Pursuant to rule 3A.13 we declare to The Stock Exchange of Hong Kong Limited (the "Exchange") that:

- (a) all of the documents required by the Listing Rules to be submitted to the Exchange on or before the date of issue of the Company's listing document and in connection with the Company's listing application have been submitted;
- (b) having made reasonable due diligence inquiries, we have reasonable grounds to believe and do believe that:
 - (i) the answers provided by each director or proposed director of the Company in the director's declaration(s) in the form at Appendix [5B] are true and do not omit any material information;
 - (ii) the Company is in compliance with all the conditions in Chapter 8 of the Listing Rules, in particular, rules 8.02, 8.03, 8.05B, 8.06, 8.07, 8.10, 8.11, 8.12, 8.13, 8.13A, 8.14, 8.15, 8.16, 8.17, 8.18, 8.19, 8.20 and 8.21A (except to the extent that compliance with those rules has been waived by the Exchange in writing);
 - (iii) the Company's listing document contains sufficient particulars and information to enable a reasonable person to form as a result thereof a valid and justifiable opinion of the shares and the financial condition and profitability of the Company at the time of the issue of the listing document;
 - (iv) the information in the non-expert sections of the listing document:
 - (A) contains all information required by relevant legislation and rules;
 - (B) is true in all material respects, or, to the extent it consists of opinions or forward looking statements on the part of the directors of the Company or any other person, such opinions or forward looking statements have been made after due and careful consideration and on bases and assumptions that are fair and reasonable; and
 - (C) does not omit material information;
 - (v) the Company has established procedures, systems and controls (including accounting and management systems) which are adequate having regard to the obligations of the Company and its directors to comply with the Listing Rules and other relevant legal and regulatory requirements (in particular rules 13.09, 13.10, 13.46, 13.48 and 13.49, Chapters 14 and 14A and Appendix 16) and which are sufficient to enable the Company's directors to make a proper assessment of the financial position and prospects of the Company and its subsidiaries, both before and after listing; and

- (vi) the directors of the Company collectively have the experience, qualifications and competence to manage the Company's business and comply with the Listing Rules, and individually have the experience, qualifications and competence to perform their individual roles, including an understanding of the nature of their obligations and those of the Company as an issuer under the Listing Rules and other legal or regulatory requirements relevant to their role; and
- (c) in relation to each expert section in the listing document, having made reasonable due diligence inquiries, we have reasonable grounds to believe and do believe (to the standard reasonably expected of a sponsor which is not itself expert in the matters dealt with in the relevant expert section) that:
 - (i) where the expert does not conduct its own verification of any material factual information on which the expert is relying for the purposes of any part of the expert section, such factual information is true in all material respects and does not omit any material information, where factual information includes:
 - (A) factual information that the expert states the expert is relying on;
 - (B) factual information the Firm believes the expert is relying on; and
 - (C) any supporting or supplementary information given by the expert or the Company to the Exchange relating to an expert section;
 - (ii) all bases and assumptions on which the expert sections of the listing document are founded are fair, reasonable and complete;
 - (iii) the expert is appropriately qualified, experienced and sufficiently resourced to give the relevant opinion;
 - (iv) the expert's scope of work is appropriate to the opinion given and the opinion required to be given in the circumstances (where the scope of work is not set by a relevant professional body);
 - (v) the expert is independent from the Company and its directors and controlling shareholder(s); and
 - (vi) the listing document fairly represents the views of the expert and contains a fair copy of or extract from the expert's report.

Signed:

Name:

For and on behalf of: *[insert the name of sponsor]*

Dated:

Note: Each and every director of the sponsor firm, and any officer or representative of the sponsor firm supplying information sought in this form, should note that this form constitutes a record or document which is to be provided to the Exchange in connection with the performance of its functions under "relevant provisions" (as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance, Cap 571) and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any record or document, which is false or misleading in a material particular, will render relevant persons liable for prosecution for an offence under subsection 384(3) of the

Securities and Futures Ordinance. If you have any queries you should consult the Exchange or your professional adviser immediately.

Appendix 20

Compliance Adviser's undertaking

To: The Listing Division
The Stock Exchange of Hong Kong Limited

...../...../.....

We, are the Compliance Adviser appointed by (the "Company") for the purpose referred to in rule 3A.19 / rule 3A.20 *[cross out whichever is not applicable]* of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and have offices located at

Pursuant to rule 3A.21 we undertake with The Stock Exchange of Hong Kong Limited (the "Exchange") that we shall:

- (a) comply with the Listing Rules from time to time in force and applicable to Compliance Advisers; and
- (b) cooperate in any investigation conducted by the Listing Division and/or the Listing Committee of the Exchange, including answering promptly and openly any questions addressed to us, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which we are requested to appear.

Signature:

Name:

For and on behalf of: *[insert the name of Compliance Adviser]*

Dated:

Appendix 21

Independent financial adviser's independence declaration

To: The Listing Division
The Stock Exchange of Hong Kong Limited

...../...../.....

We,, are the independent financial adviser (the "Firm") appointed by (the "Company") under rule 13.39(6)(b) / rule 19.05(6)(a)(iii) [*cross out whichever is not applicable*] of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and have offices located at

Pursuant to rule 13.85(1) we declare to The Stock Exchange of Hong Kong Limited that, pursuant to rule 13.84, the Firm is independent.

Signature:

Name:

For and on behalf of: [*insert name of Firm*]

Dated:

- Notes:**
1. Independent financial advisers are reminded that rule 13.86 requires, amongst other things, that where an independent financial adviser becomes aware of a change to the information set out in this declaration, it must notify the Exchange as soon as possible upon that change occurring.
 2. Each and every director of the Firm, and any officer or representative of the Firm supplying information sought in this form, should note that this form constitutes a record or document which is to be provided to the Exchange in connection with the performance of its functions under "relevant provisions" (as defined in Part 1 of Schedule 1 to the *Securities and Futures Ordinance, Cap 571*) and is likely to be relied upon by the Exchange. In relation to this, you should be aware that giving to the Exchange any record or document, which is false or misleading in a material particular, will render relevant persons liable for prosecution for an offence under subsection 384(3) of the *Securities and Futures Ordinance*. If you have any queries you should consult the Exchange or your professional adviser immediately.

Appendix 22

Independent financial adviser's undertaking

To: The Listing Division
The Stock Exchange of Hong Kong Limited

...../...../.....

We,, are the independent financial adviser appointed by (the "Company") under rule 13.39(6)(b) / rule 19.05(6)(a)(iii) [~~cross out whichever is not applicable~~] of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and have offices located at

Pursuant to rule 13.85(2) we undertake with The Stock Exchange of Hong Kong Limited (the "Exchange") that we shall:

- (a) comply with the Listing Rules from time to time in force; and
- (b) cooperate in any investigation conducted by the Listing Division and/or the Listing Committee of the Exchange, including answering promptly and openly any questions addressed to us, promptly producing the originals or copies of any relevant documents and attending before any meeting or hearing at which we are requested to appear.

Signature:

Name:

For and on behalf of: [insert the name of firm]

Dated: