
AMENDMENTS TO MAIN BOARD LISTING RULES

Chapter 2

GENERAL

...

- 2.08 The Exchange Listing Rules fall into four main parts: Chapters 1 – 6 set out matters of general application; Chapters 7 – ~~19A~~19C set out the requirements applicable to the issue of equity securities; Chapters 20 and 21 set out the requirements applicable to unit trusts, mutual funds and other investment companies; and Chapters 22 – 37 set out the requirements applicable to the issue of debt securities.

Chapter 8

EQUITY SECURITIES

...

8.01

...

Further conditions ~~which have to be met by infrastructure companies, mineral companies, overseas issuers, PRC issuers and depositary receipt issuers~~ are set out in ~~rule 8.05B(2) and Chapters 8A, 18, 18A, 19, 19A and 19B and 19C for issuers seeking a listing of equity securities under those chapters.~~

...

8.11 The share capital of a new applicant must not include shares of which the proposed voting power does not bear a reasonable relationship to the equity interest of such shares when fully paid ("B Shares") and the Exchange will not be prepared to list any new B Shares issued by a listed issuer nor to allow any new B Shares to be issued by a listed issuer (whether or not listing for such shares is to be sought on the Exchange or any other stock exchange) except:—

- (1) in exceptional circumstances agreed with the Exchange; ~~or~~
- (2) in the case of those listed companies which already have B Shares in issue, in respect of further issues of B Shares identical in all respects with those B Shares by way of scrip dividend or capitalisation issue, provided that the total number of B Shares in issue remains substantially in the same proportion to the total number of other voting shares in issue as before such further issue; or
- (3) as permitted by Chapter 8A or Chapter 19C of these rules.

...

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.

Note 1: This rule is modified for a new applicant Mineral Company which must comply with the requirements of ~~Listing Rules~~ rules 18.03(4) and 18.03(5).

Note 2: This rule is modified for a new applicant under Chapter 18A which must comply with the requirements of rule 18A.03(4).

Chapter 11
EQUITY SECURITIES
LISTING DOCUMENTS

...

Contents

...

- 11.08 Special requirements for listing documents ~~issued by mineral companies, overseas issuers, PRC issuers and investment companies~~ are set out in Chapters 8A, 18, 18A, 19, 19A, 19C and 21 for issuers with, or seeking, a listing of equity securities under those chapters.

Chapter 8A

EQUITY SECURITIES

WEIGHTED VOTING RIGHTS

INTRODUCTION

The concept of proportionality between the voting power and equity interest of shareholders, commonly known as the “one-share, one-vote” principle, is an important aspect of investor protection as it helps align controlling shareholders’ interests with those of other shareholders and makes it possible for incumbent management to be removed, if they underperform, by those with the greatest equity interest in an issuer.

Although the Exchange believes that the “one-share, one vote” principle continues to be the optimum method of empowering shareholders and aligning their interests in a company, the Exchange will consider listing applications of companies seeking to deviate from this principle, under the conditions and safeguards set out in this Chapter. Applicants are expected to demonstrate the necessary characteristics of innovation and growth and demonstrate the contribution of their proposed beneficiaries of weighted voting rights to be eligible and suitable for listing with a WVR structure as set out in guidance published on the Exchange website and amended from time-to-time.

Scope

The Exchange Listing Rules (including Chapter 8) apply as much to issuers with or seeking a listing with a WVR structure, as other issuers of equity securities. This Chapter sets out rules and modifications to existing rules applicable to issuers with, or seeking, a listing with a WVR structure. For Qualifying Issuers with, or seeking, a secondary listing, the rules in this Chapter are subject to modification by rule 19C.12.

Issuers are encouraged to contact the Exchange if they envisage any difficulties in complying fully with the relevant requirements.

General Principles

8A.01 The general principle of rule 2.03(4) for issuers with, or seeking, a listing with a WVR structure under this Chapter is modified as follows:

The Listing Rules reflect currently acceptable standards in the market place and are designed to ensure that investors have and can maintain confidence in the market and in particular that:-

...

(4) all holders of listed securities are treated fairly and all holders of listed securities of the same class are treated equally; ...

DEFINITIONS

8A.02 In this Chapter, the following definitions apply:

“non-WVR shareholder” a shareholder of a class of listed shares of an issuer with a WVR structure who is not also a beneficiary of weighted voting rights;

“weighted voting right” the voting power attached to a share of a particular class that is greater or superior to the voting power attached to an ordinary share, or other governance right or arrangement disproportionate to the beneficiary’s economic interest in the equity securities of the issuer; and

“WVR structure” a structure of an issuer that results in weighted voting rights

GENERAL

8A.03 In the event of any failure to adhere to the requirements of this Chapter as determined by the Exchange, the Exchange may, as it considers necessary for the protection of the investors or the maintenance of an orderly market and in addition to any other action that the Exchange considers appropriate under the rules, exercise absolute discretion to:

- (1) direct a trading halt or suspend dealings of any securities of the issuer or cancel the listing of any securities of the issuer as set out in rule 6.01;
- (2) impose the disciplinary sanctions set out in rule 2A.09 against the parties set out in rule 2A.10;
- (3) withhold:
 - (a) approval for an application for the listing of securities; and/or
 - (b) clearance for the issuance of a circular to the issuer’s shareholders unless and until all necessary steps have been taken to address the non-compliance as directed by the Exchange to its satisfaction.

QUALIFICATIONS FOR LISTING

Basic Conditions

8A.04 A new applicant seeking a listing with a WVR structure must demonstrate to the Exchange that it is both eligible and suitable for listing with a WVR structure.

8A.05 The Exchange will consider applications for listing with a WVR structure from new applicants only.

Note: The Exchange retains the discretion to reject an application for listing if it believes an issuer has acted intentionally to avoid rule 8A.05 or in a manner which has the effect of avoiding rule 8A.05.

Qualifications for Listing with a WVR Structure

8A.06 A new applicant seeking a listing with a WVR structure must satisfy one of the following:

- (1) a market capitalisation of at least HK\$40,000,000,000 at the time of listing;
or
- (2) a market capitalisation of at least HK\$10,000,000,000 at the time of listing and revenue of at least HK\$1,000,000,000 for the most recent audited financial year.

PERMISSIBLE WVR STRUCTURES

Restriction to share class based WVR structures

8A.07 Subject to the requirement of rule 8A.24, a WVR structure must attach weighted voting rights only to a class of an issuer's equity securities and confer on a beneficiary enhanced voting power on resolutions tabled at the issuer's general meetings only. In all other respects, the rights attached to a class of equity securities conferring weighted voting rights must otherwise be the same as the rights attached to the issuer's listed ordinary shares.

A class of shares with weighted voting rights is ineligible for listing

8A.08 An issuer must not seek a listing of a class of shares carrying weighted voting rights.

Voting power of non-WVR shareholders

8A.09 Non-WVR shareholders must be entitled to cast at least 10% of the votes that are eligible to be cast on resolutions at the listed issuer's general meetings.

Note 1: Compliance with this rule means, for example, that an issuer cannot list with a WVR structure that attaches 100% of the right to vote at general meetings to the beneficiaries of weighted voting rights.

Note 2: A beneficiary of weighted voting rights must not take any action that would result in a non-compliance with this rule.

Restriction on voting power

8A.10 A class of shares conferring weighted voting rights in a listed issuer must not entitle the beneficiary to more than ten times the voting power of ordinary shares, on any resolution tabled at the issuer's general meetings.

Beneficiaries of Weighted Voting Rights

8A.11 At listing, any beneficiaries of weighted voting rights must be members of the applicant's board of directors.

Minimum Economic Interest at Listing

8A.12 The beneficiaries of weighted voting rights must beneficially own collectively at least 10% of the underlying economic interest in the applicant's total issued share capital at the time of its initial listing.

Note: The Exchange may be prepared to accept a lower minimum shareholding percentage, on a case by case basis, if the lower underlying economic interest still represents a very large amount in absolute dollar terms (for example if the applicant has an expected market capitalisation of over HK\$80 billion at the time of its initial listing) taking into account such other factors about the applicant as the Exchange may in its discretion, consider appropriate.

RESTRICTIONS ON PURCHASE AND SUBSCRIPTION

Issues of Shares Carrying Weighted Voting Rights

8A.13 A listed issuer must not increase the proportion of shares that carry weighted voting rights above the proportion in issue at the time of listing.

Note: If the proportion of shares carrying weighted voting rights is reduced below the proportion in issue at the time of listing, this rule 8A.13 shall apply to the reduced proportion of shares carrying weighted voting rights.

8A.14 A listed issuer with a WVR structure may only allot, issue or grant shares carrying weighted voting rights with the prior approval of the Exchange and pursuant to (1) an offer made to all the issuer's shareholders pro rata (apart from fractional entitlements) to their existing holdings; (2) a pro rata issue of securities to all the issuer's shareholders by way of scrip dividends; or (3) pursuant to a stock split or other capital reorganisation provided that the Exchange is satisfied that the proposed allotment or issuance will not result in an increase in the proportion of shares carrying weighted voting rights.

Note 1: If, under a pro rata offer, beneficiaries of weighted voting rights do not take up any part of the shares carrying weighted voting rights (or rights to those shares) offered to them, those shares (or rights) not taken up could only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of ordinary shares.

Note 2: To the extent that rights in a listed issuer's shares not carrying weighted voting rights in a pro rata offer are not taken up in their entirety (e.g. in the case where the pro rata offering is not fully underwritten), the number of the listed issuer's shares carrying weighted voting rights that can be allotted, issued or granted must be reduced proportionately.

Note 3: Where necessary, beneficiaries of weighted voting rights must use their best endeavours to enable the issuer to comply with this rule.

Purchases of Own Shares

- 8A.15 If a listed issuer with a WVR structure reduces the number of its shares in issue (e.g. through a purchase of its own shares) the beneficiaries of weighted voting rights must reduce their weighted voting rights in the issuer proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue would otherwise result in an increase in the proportion of the listed issuer's shares that carry weighted voting rights.

Prohibition on Changing Terms of Shares Carrying Weighted Voting Rights

- 8A.16 After listing, a listed issuer with a WVR structure must not change the terms of a class of its shares carrying weighted voting rights to increase the weighted voting rights attached to that class.

Note: If a listed issuer wishes to change the terms of a class of its shares carrying weighted voting rights to reduce those rights it may do so but must, in addition to complying with any requirements under law, first obtain the prior approval of the Exchange and, if approval is granted, must announce the change.

CONTINUING OBLIGATIONS

Ongoing Requirements for Beneficiaries of Weighted Voting Rights

- 8A.17 The beneficiary's weighted voting rights in a listed issuer must cease if, at any time after listing, the beneficiary is:

- (1) deceased;
- (2) no longer a member of the issuer's board of directors;
- (3) deemed by the Exchange to be incapacitated for the purpose of performing his or her duties as a director; or
- (4) deemed by the Exchange to no longer meet the requirements of a director set out in these rules.

Note 1: The Exchange would deem a beneficiary of weighted voting rights to no longer meet the requirements of a director if, for the following reasons, the Exchange believed the person no longer has the character and integrity commensurate with the position:

- (a) the beneficiary is or has been convicted of an offence involving a finding that the beneficiary acted fraudulently or dishonestly;*
- (b) a disqualification order is made by a court or tribunal of competent jurisdiction against the beneficiary; or*
- (c) the beneficiary is found by the Exchange to have failed to comply with the requirement of rules 8A.15, 8A.18 or 8A.24.*

Note 2: The dealing restrictions of rule 10.06(2), the issue restrictions of rule 10.06(3) and the director dealing restrictions under Appendix 10 do not

apply where the dealing or issue is solely to facilitate the conversion of shares carrying weighted voting rights into ordinary shares to comply with rule 8A.17.

Restriction on Transfer of Shares with Weighted Voting Rights

- 8A.18 (1) The weighted voting rights attached to a beneficiary's shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in, those shares or the control over the voting rights attached to them (through voting proxies or otherwise).
- (2) A limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights provided that such an arrangement does not result in a circumvention of rule 8A.18(1).

Note 1: The Exchange would not consider a lien, pledge, charge or other encumbrance on shares carrying weighted voting rights to be a transfer for the purpose of rule 8A.18 on condition that this does not result in the transfer of legal title to or beneficial ownership of those shares or the voting rights attached to them (through voting proxies or otherwise).

Note 2: The Exchange would consider a transfer to have occurred under rule 8A.18 if a beneficiary of weighted voting rights and a non-WVR shareholder(s) enter into any arrangement or understanding to the extent that this resulted in a transfer of weighted voting rights from the beneficiary of those weighted voting rights to the non-WVR shareholder.

- 8A.19 If a vehicle holding shares carrying weighted voting rights in a listed issuer on behalf of a beneficiary no longer complies with rule 8A.18(2), the beneficiary's weighted voting rights in the listed issuer must cease. The issuer and beneficiary must notify the Exchange as soon as practicable with details of the non-compliance.

Definition of a Connected Person and Core Connected Person

- 8A.20 A beneficiary of weighted voting rights and any vehicle through which such beneficiary holds shares carrying weighted voting rights (who does not otherwise meet the rule 14A.07 definition of a "connected person") is a person deemed to be connected to the listed issuer by the Exchange under rule 14A.07(6). A beneficiary of weighted voting rights and any vehicle through which such beneficiary holds shares carrying weighted voting rights (who does not otherwise meet the rule 1.01 definition of a "core connected person") is deemed to be a core connected person of the listed issuer by the Exchange.

Conditions for Conversion of Shares Carrying Weighted Voting Rights

- 8A.21 Any conversion of shares with weighted voting rights into ordinary shares must occur on a one to one ratio.

Note: An issuer with a WVR structure must seek the Exchange's prior approval of the listing of any shares that are issuable upon conversion of its shares carrying weighted voting rights.

Conditions for End of WVR Structure

8A.22 A listed issuer's WVR structure must cease when none of the beneficiaries of the weighted voting rights at the time of the issuer's initial listing have beneficial ownership of shares carrying weighted voting rights.

CORPORATE GOVERNANCE

Right of Non-WVR Shareholders to Convene an Extraordinary General Meeting

8A.23 Non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer.

Resolutions Requiring Voting on a One Vote per Share Basis

8A.24 Any weighted voting rights attached to any class of shares in a listed issuer must be disregarded and must not entitle the beneficiary to more than one vote per share on any resolution to approve the following matters:

- (1) changes to the listed issuer's constitutional documents, however framed;
- (2) variation of rights attached to any class of shares;
- (3) the appointment or removal of an independent non-executive director;
- (4) the appointment or removal of auditors; and
- (5) the voluntary winding-up of the listed issuer.

Note: The purpose of rule 8A.24 is to protect non-WVR shareholders from resolutions being passed by WVR beneficiaries without their consent and not to enable non-WVR shareholders to remove or further constrain weighted voting rights. The weighted voting rights attached to a class of issued shares may be varied only with the consent of the holders of that class of shares as stipulated by the regulations and/or laws to which the issuer is subject. Where the regulations and/or laws do not require such approval, the Exchange will require such approval to be included in its constitutional documents to the extent it is not prohibited under the laws of its incorporation (for issuers incorporated in Bermuda or the Cayman Islands see Appendix 13a, paragraph 2(1) and Appendix 13b, paragraph 2(1)).

8A.25 Without limiting the issuer's obligation to comply with rule 8A.24, where a beneficiary of weighted voting rights casts their votes in a manner contradictory to the requirements of rule 8A.24, the Exchange will not accept that such resolutions have been passed in accordance with the requirements of these rules nor for determining the requisite majority of votes required for matters specified in these rules.

Note: This action by the Exchange is without prejudice to other actions that the Exchange may take in these circumstances.

Independent Non-Executive Directors

Role of an independent non-executive director

8A.26 The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in Code Provisions A.6.2, A.6.7 and A.6.8 of Appendix 14 to these rules.

Nomination committee

8A.27 Issuers with a WVR structure must establish a nomination committee that complies with Section A5 of Appendix 14 of these rules.

Note: The appointment or re-appointment of directors, including independent non-executive directors must be subject to the recommendation of the nomination committee, in accordance with A.5.2(b) and (d) of Appendix 14 of these rules.

8A.28 The nomination committee established under rule 8A.27 must be chaired by an independent non-executive director.

Retirement by rotation

8A.29 The independent non-executive directors of an issuer with a WVR structure must be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term.

Corporate Governance Committee

Terms of reference

8A.30 An issuer with a WVR structure must establish a Corporate Governance Committee with at least the terms of reference set out in Code Provision D.3.1 of Appendix 14 to these rules, and the following additional terms:

- (1) to review and monitor whether the listed issuer is operated and managed for the benefit of all its shareholders;
- (2) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the listed issuer's board of directors throughout the year and that no matters under rule 8A.17 have occurred during the relevant financial year;
- (3) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with rules 8A.14, 8A.15, 8A.18 and 8A.24 throughout the year;
- (4) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or

shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;

- (5) to review and monitor all risks related to the issuer's WVR structure, including connected transactions between the issuer and/or a subsidiary of the issuer on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
- (6) to make a recommendation to the board as to the appointment or removal of the Compliance Adviser;
- (7) to seek to ensure effective and on-going communication between the issuer and its shareholders, particularly with regards to the requirements of rule 8A.35;
- (8) to report on the work of the Corporate Governance Committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
- (9) to disclose, on a comply or explain basis, its recommendations to the board in respect of the matters in sub-paragraphs (4) to (6) above in the report referred to in sub-paragraph (8) above.

Composition

8A.31 The Corporate Governance Committee must be comprised entirely of independent non-executive directors, one of whom must act as the chairman.

Reporting requirements

8A.32 The Corporate Governance Report produced by a listed issuer with a WVR structure to comply with Appendix 14 of these rules must include a summary of the work of the Corporate Governance Committee, with regards to its terms of reference, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible.

Compliance Adviser

8A.33 Rule 3A.19 is modified to require an issuer with a WVR structure to appoint a Compliance Adviser on a permanent basis commencing on the date of the issuer's initial listing.

8A.34 An issuer must consult with and, if necessary, seek advice from its Compliance Adviser, on a timely and ongoing basis in the circumstances set out in rule 3A.23 and also on any matters related to:

- (1) the WVR structure;
- (2) transactions in which any beneficiary of weighted voting rights in the issuer has an interest; and
- (3) where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights in the issuer on the other.

Communication with Shareholders

- 8A.35 An issuer with a WVR structure must comply with Section E “Communication with Shareholders” of Appendix 14 these rules.

Training

- 8A.36 A new applicant and its directors must confirm to the Exchange, as part of its listing application, that its directors (including those that are beneficiaries of weighted voting rights and independent non-executive directors), senior management and company secretary have undertaken training on these rules and the risks associated with a WVR structure.

DISCLOSURE

Warnings

- 8A.37 An issuer with a WVR structure must include the warning “A company controlled through weighted voting rights” on the front page of all listing documents, periodic financial reports, circulars, notifications and announcements required by these rules and describe the WVR structure, the issuer’s rationale for having it and the associated risks for shareholders prominently in its listing documents and periodic financial reports. This warning statement must inform prospective investors of the potential risks of investing in an issuer with a WVR structure and that they should make the decision to invest only after due and careful consideration.
- 8A.38 The documents of or evidencing title for the listed equity securities of an issuer with a WVR structure must prominently include the warning “A company controlled through weighted voting rights”.

Disclosure in Listing Documents, Interim and Annual Reports

- 8A.39 An issuer with a WVR structure must identify the beneficiaries of weighted voting rights in its listing documents and in its interim and annual reports.
- 8A.40 An issuer with a WVR structure must disclose the impact of a potential conversion of WVR shares into ordinary shares on its share capital in its listing documents and in its interim and annual reports.
- 8A.41 An issuer with a WVR structure must disclose in its listing documents and in its interim and annual reports all circumstances in which the weighted voting rights attached to its shares will cease.

Stock Marker

- 8A.42 The listed equity securities of an issuer with a WVR structure must have a stock name that ends with the marker “W”.

UNDERTAKING

- 8A.43 At listing, a beneficiary of weighted voting rights must give the issuer an undertaking in a form acceptable to the Exchange that they will comply with rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24.

CONSTITUTIONAL DOCUMENTS

8A.44 Issuers with WVR structures must give force to the requirements of rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.21, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 by incorporating them into their articles of association or equivalent document.

Chapter 18A

EQUITY SECURITIES

BIOTECH COMPANIES

Scope

This Chapter sets out additional listing conditions, disclosure requirements and continuing obligations for Biotech Companies that seek to list on the basis that they are unable to satisfy either the profit test in rule 8.05(1), the market capitalisation/revenue/cash flow test in rule 8.05(2), or the market capitalization/revenue test in rules 8.05(3).

Issuers are encouraged to contact the Exchange if they envisage any difficulties in complying fully with the relevant requirements.

DEFINITIONS AND INTERPRETATION

18A.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires the following terms have the meanings set out below:—

<u>“Approved Product”</u>	<u>a Biotech Product which has been approved for commercialisation by a Competent Authority.</u>
<u>“Biotech”</u>	<u>the application of science and technology to produce commercial products with a medical or other biological application.</u>
<u>“Biotech Company”</u>	<u>A company primarily engaged in the research and development, application and commercialisation of Biotech Products.</u>
<u>“Biotech Product”</u>	<u>Biotech products, processes or technologies</u>
<u>“Competent Authority”</u>	<u>the US Food and Drug Administration, the China Food and Drug Administration, the European Medicines Agency.</u> <u>The Exchange may, at its discretion, recognise another national or supranational authority as a Competent Authority for the purposes of this Chapter in individual cases (depending on the nature of the Biotech Product).</u>
<u>“Core Product”</u>	<u>A Regulated Product that (alone or together with other Regulated Products) forms the basis of a Biotech Company’s listing application under this chapter.</u>
<u>“Cornerstone Investor”</u>	<u>An investor in the initial public offering of a new applicant’s shares to whom offer shares are preferentially placed with a guaranteed allocation</u>

irrespective of the final offer price, usually for the purpose of signifying that the investor has confidence in the financial condition and future prospects of the new applicant.

“Regulated Product” A Biotech Product that is required by applicable laws, rules or regulations to be evaluated and approved by a Competent Authority based on data derived from clinical trials (i.e. on human subjects) before it could be marketed and sold in the market regulated by that Competent Authority.

CONDITIONS FOR LISTING OF BIOTECH COMPANIES

18A.02 An applicant that has applied for listing under this Chapter must, in addition to satisfying the requirements of this Chapter, also satisfy the requirements of Chapter 8 (other than rules 8.05, 8.05A, 8.05B and 8.05C).

18A.03 An applicant that has applied for listing under this Chapter must:—

- (1) demonstrate to the Exchange’s satisfaction that it is both eligible and suitable for listing as a Biotech Company;
- (2) have an initial market capitalisation at the time of listing of at least HK\$1,500,000,000;
- (3) have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management; and
- (4) ensure that it has available sufficient working capital to cover at least 125% of the group’s costs for at least 12 months from the date of publication of its listing document (after taking into account the proceeds of the new applicant’s initial listing). These costs must substantially consist of the following:—
 - (a) general, administrative and operating costs (including any production costs); and
 - (b) research and development costs.

Note 1: The Exchange would expect that the issuer would use a substantive portion of the proceeds from its initial listing to cover these costs.

Note 2: Capital expenditures do not need to be included in the calculation of working capital requirements for the purpose of this rule. However, where capital expenditures are financed out of borrowings, relevant interest and loan repayments must be included in the calculation. For the avoidance of doubt, Biotech Companies must include research and development costs, irrespective of whether they are capitalised, in the calculation of working capital requirements for the purpose of this rule.

CONTENTS OF LISTING DOCUMENTS FOR BIOTECH COMPANIES

18A.04 In addition to the information set out in Appendix 1A, a Biotech Company must disclose in its listing document:—

- (1) its strategic objectives;
- (2) the details of each Core Product, including:
 - (a) a description of the Core Product;
 - (b) details of any relevant regulatory approval required and/or obtained for each Core Product;
 - (c) summary of material communications with the relevant Competent Authority in relation to the its Core Product(s) (unless such disclosure is not permitted under applicable laws or regulations, or the directions of the Competent Authority);
 - (d) the stage of research and development for each Core Product;
 - (e) development details by key stages and its requirements for each Core Product to reach commercialisation, and a general indication of the likely timeframe, if the development is successful, for the product to reach commercialisation;
 - (f) all material safety data relating to its Core Product(s), including any serious adverse events;
 - (g) a description of the immediate market opportunity of each Core Product if it proceeds to commercialisation and any potential increased market opportunity in the future (including a general description of the competition in the potential market);
 - (h) details of any patent(s) granted and applied for in relation to the Core Product(s) (unless the applicant is able to demonstrate to the satisfaction of the Exchange that such disclosure would require the applicant to disclose highly sensitive commercial information), or an appropriate negative statement;
 - (i) in the case of a Core Product which is biologics, disclosure of planned capacity and production related technology details; and
 - (j) to the extent that any Core Product is in-licensed, a clear statement of the issuer's material rights and obligations under the applicable licensing agreement;
- (3) a statement that no material unexpected or adverse changes have occurred since the date of issue of the relevant regulatory approval for a Core Product (if any). Where there are material changes, these must be prominently disclosed;
- (4) a description of Approved Products (if any) owned by the applicant and the length of unexpired patent protection period and details of current and expected market competitors;

- (5) details of the Biotech Company's research and development experience, including:
- (a) details of its operations in laboratory research and development;
 - (b) the collective expertise and experience of key management and technical staff; and
 - (c) its collaborative development and research agreements;
- (6) details of the relevant experience of the Biotech Company's directors and senior management in the research and development, manufacturing and commercialisation of Biotech Products;
- (7) the salient terms of any service agreements between the applicant and its key management and technical staff;
- (8) measures (if any) that the applicant has in place to retain key management or technical staff (for example incentivisation arrangements and/or non-compete clauses), and the safeguards and arrangements that the applicant has in place, in the event of the departure of any of its key management or technical staff;
- (9) a statement of any legal claims or proceedings that may have an influence on its research and development for any Core Product;
- (10) disclosure of specific risks, general risks and dependencies, including:
- (a) potential risks in clinical trials;
 - (b) risks associated with the approval process for its Core Product(s); and
 - (c) the extent to which its business is dependent on key individuals and the impact of the departure of key management or technical staff on the applicant's business and operations;
- (11) if relevant and material to the Biotech Company's business operations, information on the following:—
- (a) project risks arising from environmental, social, and health and safety issues;
 - (b) compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;
 - (c) its historical experience of dealing with host country laws and practices, including management of differences between national and local practice; and
 - (d) its historical experience of dealing with the concerns of local governments and communities on the sites of its research and trials, and relevant management arrangements;
- (12) an estimate of cash operating costs, including costs relating to research and development and clinical trials incurred in the development of the Core Product and costs associated with:—

- (a) workforce employment;
- (b) direct production costs, including materials (if it has commenced production);
- (c) research and development;
- (d) product marketing (if any);
- (e) non-income taxes, royalties and other governmental charges (if any);
- (f) contingency allowances; and
- (g) any other significant costs; and

Note: A Biotech Company must:

- set out the components of cash operating costs separately by category;
- explain the reason for any departure from the list of items to be included under cash operating costs; and
- discuss any material cost items that should be highlighted to investors.

(13) if the applicant has obtained an expert technical assessment and where relevant and appropriate, include such assessment in its listing document.

18A.05 A Biotech Company must, in respect of each Core Product, prominently disclose to investors a warning that the relevant Core Product may not ultimately be successfully developed and marketed.

18A.06 A Biotech Company must comply with rule 4.04 modified so that references to “three financial years” or “three years” in that rule shall instead reference to “two financial years” or “two years”, as the case may be.

CORNERSTONE INVESTORS

18A.07 A Biotech Company seeking an initial listing under this chapter must, in addition to meeting the requirements of Rule 8.08(1), ensure that a portion of the total number of its issued shares with a market capitalisation of at least HK\$375 million are held by the public at the time of its initial listing. Any shares allocated to a Cornerstone Investor and any shares subscribed by existing shareholders of the Biotech Company at the time of listing shall not be considered as held by the public for the purpose of this rule 18A.07.

CONTINUING OBLIGATIONS

Disclosure in Reports

18A.08 A Biotech Company must include in its interim (half-yearly) and annual reports details of its research and development activities during the period under review, including:

- (1) details of the key stages for each of its Core Products under development to reach commercialisation, and a general indication of the likely timeframe, if the development is successful, for the Core Product to reach commercialisation;
- (2) a summary of expenditure incurred on its research and development activities; and
- (3) a prominently disclosed warning that a Core Product may not ultimately be successfully developed and marketed.

Note: Details to be disclosed should be in line with those disclosed in the listing document of the Biotech Company under rules 18A.04 and 18A.05.

Sufficient Operations

- 18A.09 Where the Exchange considers that a Biotech Company listed under this chapter fails to comply with rule 13.24, the Exchange may suspend dealings or cancel the listing of its securities under rule 6.01. The Exchange may also under rule 6.10 give the relevant issuer a period of not more than 12 months to re-comply with rule 13.24. If the relevant issuer fails to re-comply with rule 13.24 within such period, the Exchange will cancel the listing.

Material Changes

- 18A.10 Without the prior consent of the Exchange, a Biotech Company listed under this chapter must not effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in the principal business activities of the relevant issuer as described in the listing document issued at the time of its application for listing.

Stock Marker

- 18A.11 The listed equity securities of a Biotech Company listed under this chapter must have a stock name that ends with the marker "B".

Dis-application of rules 18A.09 to 18A.11

- 18A.12 Upon application by the listed Biotech Company and demonstration to the Exchange's satisfaction that it is able to meet the requirements of rule 8.05, rules 18A.09 to 18A.11 do not apply to a Biotech Company listed under this chapter.

Chapter 19C

EQUITY SECURITIES

SECONDARY LISTINGS OF QUALIFYING ISSUERS

Scope

This Chapter sets out the additional requirements, modifications or exceptions to the Exchange Listing Rules for Qualifying Issuers that have, or are seeking, a secondary listing on the Exchange.

Qualifying Issuers that are overseas issuers must also comply with Chapter 19, subject to the additional requirements, modifications and exceptions set out in this Chapter.

Qualifying Issuers are encouraged to contact the Exchange if they envisage any difficulties in complying fully with the applicable requirements.

Definitions

19C.01 In this Chapter, the following definitions apply:

“Foreign Private Issuer”

as defined under Rule 405 of Regulation C of the U.S. Securities Act of 1933, as amended from time-to-time, and Rule 3b-4 of the U.S. Securities Exchange Act of 1934, as amended from time-to-time

“Grandfathered Greater China Issuer”

a Greater China Issuer primary listed on a Qualifying Exchange on or before 15 December 2017

“Greater China Issuer”

a Qualifying Issuer with its centre of gravity in Greater China

Note: The following are some of the factors that the Exchange will consider in determining whether a Qualifying Issuer has its centre of gravity in Greater China:

- (a) whether the issuer has a listing in Greater China;
- (b) where the issuer is incorporated;
- (c) the issuer’s history;
- (d) where the issuer is headquartered;

- (e) the issuer's place of central management and control;
- (f) the location of the issuer's main business operations and assets;
- (g) the location of the issuer's corporate and tax registration; and
- (h) the nationality or country of residence of the issuer's management and controlling shareholder.

These factors are not exhaustive. The Exchange may take other factors into consideration in determining whether a Qualifying Issuer has its centre of gravity in Greater China.

“Non-Grandfathered Greater China Issuer”

a Greater China Issuer that was primary listed on a Qualifying Exchange after 15 December 2017

“Non-Greater China Issuer”

a Qualifying Issuer that is not a Greater China Issuer

“place of central management and control”

the Exchange will consider the following factors to determine a Qualifying Issuer's place of central management and control:

- (a) the location from where the issuer's senior management direct, control, and coordinate the issuer's activities;
- (b) the location of the issuer's principal books and records; and
- (c) the location of the issuer's business operations or assets

“Qualifying Exchange”

The New York Stock Exchange LLC, Nasdaq Stock Market or the Main Market of the London Stock Exchange plc (and belonging to the UK Financial Conduct Authority's “Premium Listing” segment)

“Qualifying Issuer”

an issuer primary listed on a Qualifying Exchange

“WVR structure”

has the meaning given to it in rule 8A.02

Basic Conditions

- 19C.02 A Qualifying Issuer seeking a secondary listing under this chapter must demonstrate to the Exchange that it is both eligible and suitable for listing.
- 19C.03 Rules 8A.04 to 8A.06 do not apply to a Qualifying Issuer seeking a secondary listing under this chapter.

Qualifications for Listing

- 19C.04 A Qualifying Issuer must have a track record of good regulatory compliance of at least two full financial years on a Qualifying Exchange.
- 19C.05 A Non-Greater China Issuer without a WVR structure must have an expected market capitalisation at the time of its secondary listing of at least HK\$10,000,000,000. All other Qualifying Issuers must satisfy one of the following:
- (1) a market capitalisation of at least HK\$40,000,000,000 at the time of listing; or
 - (2) a market capitalisation of at least HK\$10,000,000,000 at the time of listing and revenue of at least HK\$1,000,000,000 for the most recent audited financial year.

Equivalent Standards of Shareholder Protection

- 19C.06 Appendix 3 and Appendix 13 of these rules do not apply to an overseas issuer that is a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking to secondary list under this Chapter.

Note 1: A Non-Grandfathered Greater China Issuer seeking a secondary listing under this Chapter must comply with Appendix 3 of these rules and must also comply with Appendix 13 if it is incorporated in a jurisdiction to which Appendix 13 applies.

Note 2: If an overseas issuer that is a Non-Grandfathered Greater China Issuer seeks a secondary listing under this Chapter and is not incorporated in a jurisdiction covered by Appendix 13 of these rules, the Exchange will require that these companies must vary their constitutional documents to meet the standards set out in rule 19C.07 (unless these standards are already provided for in their constitutional documents and/or the laws to which they are subject).

- 19C.07 The Exchange will consider that a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of rule 19.30(1)(b) if it has met the following shareholder protection standards:
- (1) a super-majority vote of the Qualifying Issuer's members in general meeting is required to approve:
 - (a) changes to the rights attached to any class of shares of the Qualifying Issuer;

Note: A super-majority vote of the Qualifying Issuer's members of the

class to which the rights are attached is required to approve a change to those rights.

- (b) changes to the Qualifying Issuer's constitutional documents, however framed; and
- (c) a voluntary winding-up of the Qualifying Issuer;

Note: For the purpose of rule 19C.07(1), a "super-majority vote" means at least a two-thirds majority of the members present and voting where the constitutional documents or the laws of the jurisdiction of incorporation of the Qualifying Issuer have a low quorum requirement (e.g. two members). If the constitutional documents or the laws of the jurisdiction of incorporation of the Qualifying Issuer requires only the approval of simple majority only (50% plus one vote) for deciding the matters set out in 19C.07(1) these matters must be decided by a significantly higher quorum.

- (2) any alteration to the Qualifying Issuer's constitutional document to increase an existing member's liability to the company must be agreed by such a member in writing;
- (3) the appointment, removal and remuneration of auditors must be approved by a majority of the Qualifying Issuer's members or other body that is independent of the issuer's board of directors;

Note: An example of such an independent body is the supervisory board in systems that have a two tier board structure.

- (4) the Qualifying Issuer must hold a general meeting each year as its annual general meeting;

Note: Generally not more than 15 months should elapse between the date of one annual general meeting of the Qualifying Issuer and the next.

- (5) the Qualifying Issuer must give its members reasonable written notice of its general meetings;
- (6) members must have the right to (1) speak at a general meeting; and (2) vote at a general meeting except where a member is required, by these rules, to abstain from voting to approve the matter under consideration;

Note 1: An example of such a circumstance is where a member has a material interest in the transaction or arrangement being voted upon.

Note 2: If a Qualifying Issuer is subject to a foreign law or regulation that

prevents the restriction of a members' right to speak and vote at general meetings, the company can enter into an undertaking with the Exchange to put in place measures that achieve the same outcome as the rule 19C.07(6) restriction (e.g. any votes cast by or on behalf of a member in contravention of the rule restriction must not be counted towards the resolution).

- (7) members holding a minority stake in the Qualifying Issuer's total number of issued shares must be able to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the of the Qualifying Issuer; and
- (8) HKSCC must be entitled to appoint proxies or corporate representatives to attend the Qualifying Issuer's general meetings and creditors meetings and those proxies/corporate representatives must enjoy rights comparable to the rights of other shareholders, including the right to speak and vote.

Note: Where the laws of an overseas jurisdiction prohibits HKSCC from appointing proxies/corporate representatives enjoying the rights described by rule 19C.07(8), the Qualifying Issuer must make the necessary arrangements with HKSCC to ensure that Hong Kong investors holding shares through HKSCC enjoy the rights to vote, attend (personally or by proxy) and speak at general meetings.

19C.08 A Non-Greater China Issuer or a Grandfathered Greater China Issuer must demonstrate, to the Exchange's satisfaction, how the domestic laws, rules and regulations to which it is subject and its constitutional documents, in combination, provide the shareholder protection standards set out in rule 19C.07. For this purpose, the Exchange may require the issuer to amend its constitutional documents to provide them.

Note: An issuer that is subject to rule 19C.08 can refer to the methods used to show equivalent shareholder protection standards specified in jurisdictional guidance published on the Exchange's website and amended from time-to-time.

19C.09 A Non-Greater China Issuer or a Grandfathered Greater China Issuer must comply with the requirements set out in rule 19C.07 as an ongoing condition of their listing.

19C.10 A Qualifying Issuer must prominently disclose in its listing documents any provisions in its constitutional documents concerning the issuer's governance that are unusual compared with normal practices in Hong Kong and are specific to the issuer rather than a consequence of the laws and regulations to which the issuer is subject. A Qualifying Issuer must also prominently disclose in its listing documents how such provisions affect its members' rights.

Note: Examples of such provisions include, but are not limited to, "poison pill" arrangements and provisions setting restrictions on the quorum for board meetings.

Exceptions to the Rules for All Qualifying Issuers

- 19C.11 The following rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Exchange: 3.17; 3.21 to 3.23; 3.25 to 3.27; 3.28; 3.29; 4.06; 4.07; Chapter 7; 8.09(4) (exception limited to issues outside the Exchange's markets); 8.18 (exception limited to issues outside the Exchange's markets); 9.11(10)(b); 10.05; 10.06(2)(a) to (c); 10.06(2)(e); 10.06(4); 10.06(5); 10.07(1); 10.07(2) to (4); 10.08; 13.11 to 13.22; 13.23(1); 13.23(2); 13.25A; 13.27; 13.28; 13.29; 13.31(1); 13.37; 13.38; 13.39(1) to (5); 13.39(6) to (7) (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.40 to 13.42; 13.44 to 13.45; 13.47; 13.48(2); 13.49; 13.51(1); 13.51(2) (each new director or member of the Qualifying Issuer's governing body must sign and lodge with the Exchange, as soon as practicable, a declaration and undertaking in the form set out in Form B of Appendix 5); 13.51B; 13.51C; 13.52(1)(b) to (d); 13.52(1)(e)(i) to (ii); 13.52(1)(e)(iv) (exception limited to issues outside the Exchange's markets); 13.52(2); 13.67; 13.68; 13.74; 13.80 to 13.87 (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.88; 13.89; 13.91; Chapter 14; Chapter 14A; Chapter 15 (exception limited to issues outside the Exchange's markets); Chapter 16 (exception limited to issues outside the Exchange's markets); Chapter 17; 19.57; Practice Note 4 (exception limited to issues outside the Exchange's markets); Practice Note 15 paragraphs 1 to 3(b) and 3(d) to 5 (exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Exchange's markets and the approval of shareholders of the parent is not required); Appendix 3 paragraphs 1, 2(1), 3, 4(1), 4(2), 4(4), 4(5), 5, 6, 7(1), 7(3), 8, 9, 10, 11, 13(1); Appendix 10; Appendix 14; Appendix 15; Appendix 16; Appendix 21 (exception does not apply in circumstances where a spin-off proposal requires approval by shareholders of the parent); Appendix 22 (exception does not apply in circumstances where a spin-off proposal requires approval by shareholders of the parent) and Appendix 27.

Additional Exceptions to the Rules for Certain Qualifying Issuers with a WVR structure

- 19C.12 Rules 8A.07 to 8A.36, 8A.43 and 8A.44 do not apply to a Non-Greater China Issuer or a Grandfathered Greater China Issuer that has, or is seeking, a secondary listing on the Exchange.

Migration of the Bulk of Trading to the Exchange's Markets

- 19C.13 If the majority of trading in a Greater China Issuer's listed shares migrates to the Exchange's markets on a permanent basis, the Exchange will regard the issuer as having a dual-primary listing and consequently the exceptions set out in rules 19C.11 will no longer apply to the issuer.

Note 1: The Exchange will regard the majority of trading in a Greater China Issuer's listed shares to have moved to the Exchange's markets on a permanent basis if 55% or more of the total worldwide trading volume, by dollar value, of those shares (including the volume of trading in

depository receipts issued on those shares) over the issuer's most recent financial year, takes place on the Exchange's markets.

Note 2: A Greater China Issuer to which rule 19C.13 applies will have a grace period of 12 months within which to comply with the applicable Exchange Listing Rules. This grace period will end at midnight on the anniversary of the date of the Exchange's written notice of its decision that the majority of trading in listed shares has migrated permanently to the Exchange's markets.

Note 3: Any continuing transaction of a Greater China Issuer in place as at the date of the Exchange notice referred to in Note 2 will continue to be exempted from the applicable rules set out in 19C.11 for a period of three years from the date of the Exchange notice referred to in Note 2. However if such transaction is subsequently amended or renewed before the expiry of the three year period, the Greater China Issuer must comply with the relevant requirements under the rules at such time.

Note 4: The Exchange may apply all disciplinary measures at its disposal, including a de-listing of the issuer's listed shares, if a Greater China Issuer fails to comply with the requirements of rule 19C.13 within the grace period allowed.

Foreign Private Issuers

19C.14 A Qualifying Issuer that is a Foreign Private Issuer must prominently disclose in its listing documents the exemptions from US obligations that it enjoys because of its status as a Foreign Private Issuer and that, for this reason, investors should exercise care when investing in the listed shares of the issuer.

PRACTICE NOTE 22

PUBLICATION OF APPLICATION PROOFS AND POST HEARING INFORMATION PACKS (PHIPs)

18. A new applicant which has been listed on a recognised overseas exchange for not less than 5 years and has a significantly large market capitalisation (as determined by the Exchange from time to time) or a new applicant applying for secondary listing under Chapter 19C at the time of filing its listing application is entitled to make a confidential filing of its Application Proof. The new applicant is not subject to the publication requirements for its Application Proof unless requested to comply with them by the Exchange or the Commission (as the case may be). All other requirements under the Exchange Listing Rules apply unless a waiver is granted.

Appendix 1

Contents of Listing Documents

Part A

Equity Securities

36. A statement by the directors that in their opinion the working capital available to the group is sufficient for the group's requirements for at least 12 months from the date of publication of the listing document or, if not, how it is proposed to provide the additional working capital thought by the directors to be necessary. (Note 3)

Note 1: In the case of a Mineral Company, a statement by the directors that in their opinion the issuer has available sufficient working capital for 125% of the group's present requirements.

Note 2: In the case of a new applicant for listing under Chapter 18A, a statement by the directors that in their opinion the issuer has available sufficient working capital for at least 125% of the group's costs for at least 12 months from the date of publication of its listing document, taking into account the factors in rule 18A.03(4).