

Appendix 6

Placing Guidelines — for — Equity Securities

New Applicants

1. The expected initial market capitalisation of the securities to be placed must not be less than HK\$25,000,000 or such other amount as may be fixed from time to time by the Exchange.
2. The limits set out in paragraph 1 will not normally apply to placings of equity securities by overseas issuers having their primary listing on another stock exchange. The Exchange should, however, be consulted in such cases.
3. Of the amount placed, up to but not more than 75 per cent. may be placed directly by an Exchange Participant (“the lead broker”) or through a syndicate of other Exchange Participants (“distributors”) and the balance must be made available by the lead broker directly to the “general public” (as defined in paragraph 13). The lead broker must make adequate distribution facilities available, must run the application list and must determine a fair basis for allocating securities when an issue is oversubscribed.
4. The securities to be placed must have an adequate spread of holders, the number depending on the size of the placing, but as a guideline there should be not less than three holders for each HK\$1,000,000 of the placing, with a minimum of 100 holders.
5. No allocations will be permitted to:—
 - (1) “connected clients” of the lead broker or of any distributors (as defined in paragraph 13);
 - (2) directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in rules 10.03 and 10.04 are fulfilled; or
 - (3) nominee companies unless the name of the ultimate beneficiary is disclosed,without the prior written consent of the Exchange.
6. Not more than 25 per cent. of the total placing may be allocated to “discretionary managed portfolios” (as defined in paragraph 13).

7. Not more than ten per cent. of the total placing may be offered to employees or past employees of the applicant (see rule 10.01).
8. Neither the lead broker nor any distributor may, under normal circumstances, retain any material amount of the securities being placed for their own account. Where there is public demand, neither the lead broker nor any distributor may retain more than five per cent. of their respective shares of the total placing. Where securities are made available by the lead broker direct to the general public by application direct to the lead broker and there is insufficient public demand, the amount not taken up can be redistributed to clients of the lead broker.
9. These guidelines apply equally to every Exchange Participant with whom or through whom the securities are placed by the lead broker or distributors.
10. Separate Marketing Statements in the form set out in Form D in Appendix 5 signed by each of: (a) the lead broker; (b) any distributor(s); and (c) any Exchange Participant referred to in paragraph 9 above, must be lodged with the Exchange before dealings commence (see rule 9.11(35)).
11. Dealings in the securities cannot commence until the Exchange has been supplied with and approved a list setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and business registration numbers (where companies) of all placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amounts taken up by each placee (see rule 9.11(35)). The Exchange reserves the right to require submission of such further information (on an electronic spreadsheet or such other format as it may request) on the placees as it may consider necessary for the purpose of establishing their independence, including without limitation details of beneficial ownership.
12. The lead broker and each distributor and Exchange Participant referred to in paragraph 9 must keep a record of their placees for at least three years following the placing. This record should contain the information required in paragraph 11.
13. For the purposes of this Appendix:—

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

 - (1) a partner of such Exchange Participant;
 - (2) an employee of such Exchange Participant;
 - (3) where the Exchange Participant is a company,
 - (a) any person who is a substantial shareholder of such Exchange Participant; or

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

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

“General public” means investors other than clients of the lead broker, but would not preclude its clients provided they had not received any special notification or invitation in respect of the placing. The Exchange would not find it acceptable for a client of the lead broker to receive an allocation from that portion of the placing reserved for clients of the lead broker and a further allocation either as a member of the general public or as a client of any other Exchange Participant with whom or through whom any of the securities in question are placed.

Listed issuers

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

General

17. It must be realised that the above are not necessarily exhaustive and that each case must be considered in the light of its own particular circumstances. In addition, the above criteria may in consultation with the Exchange be amended or extended from time to time in the light of experience. Each placing will be reviewed upon its completion to ensure that the above requirements have been or will be satisfied.