

COUNTRY GUIDE –

The State of Nevada, the United States of America

(11 September 2015)

Important notes: *This guide does not override the Main Board Listing Rules (the “Rules”) and is not a substitute for legal, regulatory, tax, financial or any other advice from qualified professional advisers. If there is any conflict or inconsistency between this guide and the Rules, the Rules prevail. You may consult the Listing Department on a confidential basis for an interpretation of the Rules, or this guide.*

The information contained in this guide on foreign laws, regulations and market practices is based on that provided to us by potential listing applicants, listing applicants, listed issuers, their respective advisers or officials from the relevant jurisdiction. We have not separately verified this information nor have we updated this information since its receipt. We will revise this guide to reflect changes in this information only when notified of these changes.

A new applicant for listing that is incorporated in the State of Nevada (“Nevada”) of the United States of America (“US”) must confirm to the Exchange, with its initial application for listing, that the Nevada laws, regulations and market practices contained in this guide are still applicable, or provide us with details of any changes, and inform us of any other Nevada laws, regulations and market practices that are relevant to its circumstances.

Purpose of this Guide

This guide is one of a series that gives guidance on our treatment of listing applications from overseas issuers incorporated in a particular jurisdiction. The aim of this guide is to enhance applicants' understanding of our expectations, practices, procedures and the criteria we consider when applying the Rules for overseas issuers.

This guide should be read in conjunction with the Joint Policy Statement Regarding Listing of Overseas Companies (27 September 2013)¹ (“JPS”). All issuers incorporated in Nevada can apply for one or more “common waivers” and those with, or seeking, a secondary listing² which satisfies the conditions set out in paragraph 88 of the JPS do not need to apply for waivers of certain Rules which are automatically waived for them³.

Summary of our Approach

Subject to Nevada incorporated companies meeting the conditions set out in this guide, we do not consider Nevada's shareholder protection standards to be materially different to our own.

Nevada meets our international regulatory co-operation requirements because it already has adequate measures in place with Hong Kong's Securities and Futures Commission.

We are prepared to accept financial statements that conform to the United States Generally Accepted Accounting Practices from issuers with, or seeking, a dual primary or secondary listing. These must contain a statement of the financial effect of the material differences (if any) from either Hong Kong Financial Reporting Standards or International Financial Reporting Standards.

¹ Available on the HKEx website at:

http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/listoc/Documents/new_jps_0927.pdf

² JPS, Section 5.

³ JPS, paragraph 88.

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1. Background

- 1.1 Nevada's equivalent to the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) is Title 7 of the Nevada Revised Statutes which embodies the Nevada Corporations Code, and sets out requirements for Nevada incorporated companies. Public companies⁴ incorporated in Nevada must also comply with the US securities laws. The US Securities and Exchange Commission ("SEC") is the statutory securities regulator in the United States.
- 1.2 As at the date of this Country Guide, a Nevada incorporated company has yet to be listed on the Exchange.

2. Application of this Country Guide

- 2.1 This Country Guide applies to primary and secondary Main Board listing applicants and primary GEM listing applicants incorporated in Nevada. We do not accept applications for secondary listing on GEM.

3. International Regulatory Co-operation Measures

- 3.1 The JPS states that the statutory securities regulator of an overseas issuer's jurisdiction of incorporation must have adequate arrangements with the Securities and Futures Commission ("SFC") for regulatory co-operation⁵. This requirement is met for issuers who are US public companies incorporated in Nevada as the SEC is a full signatory of the IOSCO MMOU⁶, and has also entered into a Memorandum of Understanding Concerning Cooperation of Securities Laws with the SFC.
- 3.2 If a listing applicant is incorporated in Nevada but its place of central management and control⁷ is elsewhere outside the US, similar international co-operation arrangements must generally also be in place with that jurisdiction.

⁴ A public company in the United States is a company which securities are registered with the US SEC when either (i) its securities are listed on a US securities exchange or (ii) it has assets exceeding US\$1,000,000 and more than 500 shareholders, regardless of where those shareholders are located. Accordingly, a Nevada corporation held by non-US shareholders, even if it is not listed in the US, must register with the US SEC and would be a public company subject to its oversight, if it has more than 500 shareholders of record and total assets exceeding US\$1,000,000.

⁵ JPS, paragraphs 42 to 44.

⁶ International Organisation of Securities Commission's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

⁷ JPS, paragraph 45.

4. JPS Shareholder Protection Standards

4.1 Subject to Nevada incorporated issuers demonstrating⁸ how their constitutional documents, as set out below, conform to the JPS requirements, we do not consider Nevada's shareholder protection standards to be materially different to our own⁹. We have set out below details of the differences between Nevada statutory requirements and the JPS requirements.

Matters requiring a super-majority vote

4.2 A super-majority vote of members required for a change to the rights attached to a class of shares: Under the JPS, changes to the rights attached to any class of shares of an overseas company must be approved by a super-majority vote of members of that class¹⁰, or by a simple majority vote of members of that class plus a significantly higher quorum¹¹. There is no equivalent provision under Nevada law.

4.3 A super-majority vote of members required for a material change to constitutional documents: Under the JPS, material changes to an overseas company's constitutional documents, however framed, must be approved by a super-majority vote of members¹², or by a simple majority vote of members plus a significantly higher quorum¹³. There is no equivalent provision under Nevada law.

4.4 A super-majority vote of members required for voluntary winding up of an overseas company: Under the JPS, a voluntary winding up of an overseas company must be approved by a super-majority vote of members¹⁴, or by a simple majority vote of members plus a significantly higher quorum¹⁵. Nevada law has no specific statutory provisions in this regard.

4.5 Under Nevada law, except for a few exceptions (such as election of directors and certain extraordinary items, such as the sale of the company, which requires the approval of a majority of the shares outstanding), shareholder approval on a specific action requires only that the vote cast in favour of the action exceeds the votes cast opposing the action.

⁸ We list the key shareholder protection standards with which applicants must demonstrate equivalence in Section 1 of the JPS.

⁹ Notes to Main Board Rule 19.05(1) / GEM Rule 24.05(1) and Main Board Rule 19.30(1), and JPS, paragraphs 27 and 28.

¹⁰ JPS, paragraph 31(a).

¹¹ JPS, paragraph 33.

¹² JPS, paragraph 31(b).

¹³ JPS, paragraph 33.

¹⁴ JPS, paragraph 31(c).

¹⁵ JPS, paragraph 33.

Our Approach

- 4.6 To conform to the JPS requirements in paragraphs 4.2 to 4.4 above, Nevada incorporated issuers need to modify their constitutional documents to specify that resolutions for changing class rights, material changes to the constitutional documents, and the issuer's voluntary winding-up must be approved by a super-majority vote of members, or by a simple majority vote of members plus a significantly higher quorum.

Appointment of auditors

- 4.7 Under the JPS, the appointment, removal and remuneration of auditors must be approved by a majority of an overseas company's members or other body that is independent of the board of directors¹⁶. Rule 10A-3 of the Securities Exchange Act of 1934 and the NASDAQ listing standards state that the audit committee must be directly responsible for the appointment, compensation, retention and oversight of auditors. Nevada law allows a Nevada corporation to specify in its constitutional documents that the appointment, removal and compensation of the auditor be subject to ratification by its shareholders in a general meeting.

Our Approach

- 4.8 To conform to the JPS requirements, Nevada incorporated issuers need to modify their constitutional documents to specify that matters relating to appointment, removal and compensation of the auditor must be approved by their shareholders in a general meeting. In the case where the Nevada incorporated issuers are subject to the NASDAQ listing rules, such matters must be ratified by their shareholders in a general meeting.

Proceedings at general meetings

- 4.9 Timing of an annual general meeting: Under the JPS, an overseas company is required to hold a general meeting each year as its annual general meeting, and generally no more than 15 months should elapse between the date of one annual general meeting and the next¹⁷. Under Nevada law, annual meetings of stockholders are expected to occur no later than 18 months after the last such meeting.

Our Approach

- 4.10 To conform to the relevant JPS requirements, Nevada incorporated issuers need to modify their constitutional documents to specify that the date of one annual general meeting and the next must be no more than 15 months apart.

¹⁶ JPS, paragraph 35.

¹⁷ JPS, paragraph 36.

4.11 Notice of general meetings: Under the JPS, an overseas company must give its members reasonable written notice of its general meeting¹⁸. In determining “reasonableness” of the notice period for general meetings, the Exchange will take into consideration (i) the provisions under the Hong Kong Companies Ordinance (Cap. 622) (“CO”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) as from time to time in force as applicable to Hong Kong incorporated companies, (ii) the shareholding structure of the company, and (iii) company and transaction specific facts and circumstances. Currently, the minimum notice period for general meetings under the CO is 14 days. Nevada law provides for a notice period from 10 to 60 days for its general meeting.

Our Approach

4.12 To conform to the JPS requirements, Nevada incorporated issuers need to modify their constitutional documents to specify that any notice period for general meetings must not be less than 14 days.

4.13 Right to speak and vote at general meetings: The JPS requires that all members must have the right to speak and vote at a general meeting, except in cases where members having a material interest in a transaction or arrangement are required, by the Rules, to abstain from voting to approve the transaction or arrangement¹⁹. Nevada law provides that, unless otherwise restricted by the constitutional documents, shareholders may participate in a meeting of stockholders, which is generally understood to include a right to communicate as necessary and read or hear the proceedings of the meeting for a Nevada corporation.

Our Approach

4.14 To conform to the JPS requirements, Nevada incorporated issuers need to modify their constitutional documents to provide expressly that the shareholder’s right to attend a general meeting includes the right to communicate, speak and vote at the general meeting.

4.15 Right of members holding a minority stake to convene a general meeting: Under the JPS, members holding a minority stake in an overseas company must be allowed to convene an extraordinary general meeting and add resolutions to a meeting agenda, and the minimum level of members’ support required to convene a meeting must be no higher than 10%²⁰. Nevada law has no specific statutory provisions in this regard.

¹⁸ JPS, paragraph 37.

¹⁹ JPS, paragraph 38.

²⁰ JPS, paragraph 39.

Our Approach

- 4.16 To conform to the JPS requirements, Nevada incorporated issuers need to modify their constitutional documents to specify that the minimum level of shareholders' support required to convene a meeting must be no higher than 10%.

5. Practical and Operational Matters

- 5.1 Reference is made to Section 4 of the JPS which contains guidance on an overseas issuer's ability to comply with Hong Kong's rules and regulations; the eligibility of securities; cross-border clearing and settlement; Hong Kong depositary receipts; taxation; and stock name identification. Applicants are encouraged to notify the Listing Department if they envisage difficulties in complying with such matters, where applicable.

6. Constitutional Documents

- 6.1 Applicants should contact the Listing Department if the Nevada laws or the applicants' constitutional documents cannot meet the standards under Appendix 3 to the Main Board Rules / Appendix 6 to the GEM Rules.

7. Accounting and Auditing Related Requirements

- 7.1 We normally require the accountants' reports and financial statements of overseas issuers seeking a primary or secondary listing to conform to the Hong Kong Financial Reporting Standards ("HKFRS") or the International Financial Reporting Standards ("IFRS"). However, issuers with, or seeking, a dual primary or secondary listing can use US Generally Accepted Accounting Principles ("US GAAP"), provided in the case of primary listing, the issuer must prepare a statement showing the financial effect of any material differences between the US GAAP financial statements and financial statements prepared using HKFRS/IFRS as required under the Rules²¹.

²¹ Main Board Rules 4.11 to 4.13 / GEM Rules 7.12 to 7.17, Main Board Rules 19.13, 19.14, 19.39 and Notes 2.1 and 2.4 to paragraph 2 of Appendix 16. See also JPS, paragraphs 56 to 62.