

Important notes: The guidance below does not override the Listing Rules (“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 the guidance below and the Rules, the Rules prevail. You may consult the Listing Department on a confidential basis for an interpretation of the Rules, or the guidance below.

Although SEHK has tailored the SEHK Alternative Procedures to address the underlying policy concerns of Regulation S and believes that they are in keeping with market practice in other jurisdictions and previously granted no-action relief, no representation is made as to the adequacy of the SEHK Alternative Procedures to meet the requirements of the Regulation S safe harbor. Compliance with the registration requirements of Section 5 of the U.S. Securities Act or an exemption therefrom is ultimately the responsibility of the person who offers or sells securities. The SEHK Alternative Procedures are not intended as a substitute for, and you are cautioned to seek, your own legal advice in respect of any offer or sale of Regulation S Securities.

Introduction

“Domestic issuers” within the meaning of Regulation S (**“Regulation S”**) under the United States Securities Act of 1933 (the **“U.S. Securities Act”**) who wish to offer their equity securities (**“Regulation S Securities”**) in “offshore transactions” within the meaning of, and in reliance on the safe harbor provided by, Regulation S must fulfil the requirements set out in Rules 903(a) and 903(b)(3) of Regulation S (the **“Regulation S Category 3 Requirements”**).

Given the manner in which securities are traded and settled on The Stock Exchange of Hong Kong Limited (**“SEHK”**), it would not be feasible for such “domestic issuers” and their underwriters to comply strictly with certain of the Regulation S Category 3 Requirements in connection with a listing of Regulation S Securities on SEHK, specifically, the purchaser certification, purchaser agreement regarding sale, legending and stop-transfer, distributor notification and dealer notification requirements under Rule 903(b)(3)(iii)(B), Rule 903(b)(3)(iv) and Rule 904(b)(1)(ii).¹

Accordingly, SEHK has formulated certain alternative procedures (**“SEHK Alternative Procedures”**) tailored to address the underlying policy concerns at which Rule 903(b)(3)(iii)(B), Rule 903(b)(3)(iv) and Rule 904(b)(1)(ii) were aimed.

The SEHK Alternative Procedures have been developed for use by “domestic issuers” that are not “reporting issuers” within the meaning of Regulation S based on previous no-action relief granted by

¹ Such requirements can be met only by requiring the Regulation S Securities listed on SEHK to be held in physical, certificated form, which is incompatible with (1) the multilateral order-matching system operated by the Orion Trading Platform – Securities Market, the electronic stock trading system of SEHK (**“OTP-C”**) and (2) Central Clearing and Settlement System (**“CCASS”**), the automated book-entry clearing and settlement system used by used by SEHK. OTP-C and CCASS do not have facilities that allow participants to obtain transaction-by-transaction representations or certifications from purchasers. The purchaser representations required by Rules 903(b)(3)(iii)(B)(1) and (2) cannot be obtained in the context of a book-entry system. Similarly, the stop-transfer requirements of Rule 903(b)(3)(iii)(B)(4) cannot be satisfied in the case of transfers of beneficial interests in a global security. Moreover, because the broker-supplied trading systems which access the OTP-C trading system are proprietary to each exchange participant in SEHK (**“EP”**), it is not possible for SEHK to comply with the notification requirements contained in Rules 903(b)(3)(iv) and 904(b)(1)(ii) through language added to confirmations or placed on computer screens employed in trading. Neither is it feasible for SEHK to require its EPs to reconfigure their broker-supplied trading systems in a way that would permit strict compliance with Rules 903(b)(3)(iv) and 904(b)(1)(ii). In addition, there are no fields in CCASS in which the required language could be placed and the programming changes that would be required to create a field for such language would be prohibitively costly and time-consuming.

the United States Securities and Exchange Commission to other securities exchanges.² Please contact SEHK for more details as to how to structure an offering.

SEHK Alternative Procedures

A. Deemed Representations

The prospectus and listing application forms relating to an offering of a Regulation S Security will prominently disclose that all purchasers of the securities will be deemed to have made specified representations and agreements. Specifically, all purchasers of the Regulation S Securities will be deemed to have:

- represented that they are not U.S. persons and are not acquiring the Regulation S Securities for the account or benefit of any U.S. person;
- agreed to resell the Regulation S Securities only in accordance with the provisions of Regulation S, pursuant to registration under the U.S. Securities Act, or pursuant to an available exemption from registration; and
- agreed not to engage in hedging transactions with regard to the Regulation S Securities unless in compliance with the U.S. Securities Act.

B. Requirements Applicable to SEHK Exchange Participants (“EPs”)

In connection with the admission to trading of any Regulation S Securities, at least three trading days prior to the initiation of trading in any Regulation S Securities, SEHK will advise its EPs via a circular that, during the one-year distribution compliance period:

- no EP may execute a transaction on SEHK in Regulation S Securities if such EP has knowledge that the buyer is a U.S. person (as defined in Regulation S) or is acting for the account or benefit of a U.S. person;
- to the extent an EP is purchasing Regulation S Securities on behalf of its customer that is not an EP, the EP making such purchase must make reasonable efforts to ascertain that its customer is not a U.S. person and is not acting for the account or benefit of a U.S. person; and
- EPs must implement measures designed to assure reasonable compliance with the foregoing requirements.

C. Legending Requirements

The 1998 Amending Release contemplates the development of “measures like those required in Category 3” to prevent the abusive practices at which the 1998 Amendments to Regulation S were aimed (*1998 Amending Release, 63 FR at 9636*). The release specifically permits “[n]otices of the restrictions to investors on the confirmation or allotment telex, use of global securities held in a depository, and restrictions on trading in the United States through the use of restricted CUSIP numbers” as alternatives sufficient to satisfy the legending requirements of Rule 903(b)(3)(iii)(B)(3). *Id.*, 63 FR at 9636, n. 31.

² No-action relief has also previously been granted to a “domestic issuer” that was a “reporting issuer” within the meaning of Regulation S in November 2011 in connection with the issuance and secondary listing on SEHK of Hong Kong depository receipts; however, that transaction did not involve an offering of new securities to investors.

1. Securities Held in Global Form

Equity securities of domestic issuers issued pursuant to Regulation S that are to be traded on SEHK will be held in certificated, registered form directly by HKSCC Nominees Limited and reflected in the share register maintained by each issuer. Typically, these certificates will be “global” certificates; i.e., each certificate will represent a large number of shares the beneficial interests in which will be held by many investors. Offshore purchasers will hold interests in the global security through an entity which is a participant of Hong Kong Securities Clearing Company Limited. The requirement that securities be held in global form will be subject to customary exceptions such as the unwillingness of the depository to continue in such capacity.

2. Restrictive Legends on Certificated Securities; Certifications

Any certificated securities, including global securities, certificates into which global certificates may be subdivided, and any physical certificated securities issued to holders prior to the expiration of the distribution compliance period, will bear the restrictive legend required by Rule 903(b)(3)(iii)(B)(3). This condition will apply to the global certificate deposited directly with HKSCC Nominees Limited. Such certificated securities will also bear a restrictive legend to the extent required by Rule 144. In addition, any definitive securities issued during the distribution compliance period will satisfy all the requirements of Rule 903(b)(3)(iii)(B), including the legending and certification requirements.

3. Special Stock Codes and Indicator indicating restricted status

Securities traded on SEHK through OTP-C must be identified exclusively by a 5-digit numeric stock code assigned by SEHK. OTP-C does not utilise or recognise any other identifier.³ For Regulation S Securities in particular, SEHK will assign them to a special range of stock codes indicating their status as restricted under the U.S. Securities Act.⁴ SEHK will also add an “RS” indicator to the name of any issuer of Regulation S Securities on the website of Hong Kong Exchanges and Clearing Limited (“**HKEX**”). Accordingly, whenever such issuer’s name appears on HKEX’s website, there will be an “RS” indicator to alert readers of the restricted nature of the Regulation S Securities. SEHK will also add the indicator “RS” to the stock short name of each of the Registration S Securities in its OTP-C trading system during the distribution compliance period to indicate that such securities are subject to restrictions under the U.S. Securities Act.⁵

In addition, SEHK will provide a link to the explanation of the above-mentioned “RS” indicator and the designated stock code in the information page of any issuer or

³ EPs who connect their broker-supplied trading systems to OTP-C must ensure that the International Securities Identification Number (ISIN) or CUSIP International Numbering System number used in their broker-supplied trading systems (if any) are accurately referenced to the 5-digit numeric stock code assigned by SEHK.

⁴ SEHK has a stock code allocation plan whereby it assigns ranges of stock codes to various products. Please see <https://www.hkex.com.hk/-/media/HKEX-Market/Products/Securities/Stock-Code-Allocation-Plan/scap.pdf> for this plan. SEHK currently intends to reserve a range of 06300 to 06399 for companies organised within the United States that seek to list Regulation S Securities on SEHK.

⁵ It is not feasible to mandate detailed security description associated with a special stock code to automatically appear on an EP’s screens each time it enters instruction to settle a trade. However, EPs have access to the stock short name data field of the security (which includes the restrictions indicator) at all times, and, together with the special stock code range, can easily ascertain whether a security is restricted and the terms of such restriction.

Regulation S Securities⁶ on the listing date of such securities and publish such explanation on HKEX's markets website beginning at least three trading days before the initial listing of the Regulation S Securities and continually after such publication as long as the Regulation S Securities are listed on SEHK.

Finally, SEHK will require that statements or communications confirming or summarising the terms of any new issuance of such securities by the domestic issuer or managing underwriters to publishers of publicly available databases will include a statement that such securities have not been registered under the U.S. Securities Act and are subject to Regulation S.⁷

(a) Periodic Publication of Indicator

Beginning a reasonable period prior to the first listing of any Regulation S Securities on SEHK and continually thereafter, SEHK will publish on the HKEX website and disseminate to its EPs through its Orion Market Data Platform – Securities Market (“**OMD-C**”), a list of the securities which have been assigned special stock codes, together with an explanation of the indicator, putting EPs on notice that transfers of such securities to purchasers in the United States are restricted and must qualify under an available exemption.

(b) Inclusion of Indicator on Confirmation and Other Notices

During the one-year distribution compliance period, each transaction involving a Regulation S Security conducted through OTP-C will be reflected in an electronic confirmation issued by SEHK to its EPs that will include the special stock code discussed above.

D. Restricted CUSIP/ ISIN Numbers

In addition to the 5-digit numerical stock code assigned by SEHK to securities traded on SEHK through the OTP-C trading system, we understand that the managing underwriters or domestic issuer of Regulation S Securities may apply to have the Regulation S Securities identified in the records maintained by entities such as the CUSIP Bureau (“**CUSIP**”). CUSIP and other similar entities assign a number to each security that identifies the issuer and each outstanding security of that issuer. Each number has an associated security description. SEHK will require the issuer and/ or domestic underwriters to ensure that the security description associated with the International Securities Identification Number (“**ISIN**”) and the CUSIP International Numbering System (“**CINS**”) number of any Regulation S Securities include an indication that such securities are subject to restrictions under the U.S. Securities Act.⁸ Therefore, any person

⁶ For each company listed on SEHK, there is an information page that contains basic information such as number of shares outstanding, dividend dates and the like. These pages may be accessed from HKEX's website at www.hkex.com.hk under the "Securities Prices\ Equities" page of "Market Data" section of HKEX's website. The information page of an issuer of Regulation S Securities will include a link to an explanation of the restrictions applicable under Regulation S.

⁷ It is our understanding that after the issuer and underwriters agree to the terms of a proposed offering, underwriters confirm to providers of financial databases (e.g., the BLOOMBERG® service) pertinent information regarding the subject securities, including the numbered stock code and whether the securities were registered under the U.S. Securities Act, or are being sold in reliance on Regulation S. SEHK understands that Bloomberg includes information confirmed to it in its securities listings, and that Bloomberg data “screens” for Regulation S Securities currently include legends indicating that such securities have not been registered under the U.S. Securities Act. As issuers and underwriters do not contract directly with financial database providers (other than as purchasers of database products), it would not be feasible to mandate issuers or underwriters to require database providers to include restricted security legends.

⁸ It is not practical to indicate restrictions as part of the CINS or ISIN number itself (whether by using a particular numbering system or by attaching a permanent “restricted field” to the number), as the number would then have to be reissued when the restriction is lifted.

accessing the ISIN/ CINS database will be aware that transfers of the securities to purchasers in the United States are restricted and must qualify under an available exemption.

E. Issuer Instructions to Registrar and Transfer Agent

SEHK will require the issuer of Regulation S Securities to provide assurances that no securities in certificated form bearing the legend required by Rule 903(b)(3)(iii)(B)(3) will be transferred by the issuer's transfer agent without a favorable opinion of counsel or other assurance that the transfer is in full compliance with the U.S. Securities Act.

F. Issuer Notifications to Shareholders

SEHK will require the issuer of Regulation S Securities to provide to its security holders notification of the Regulation S status of its securities on its website, in its annual reports, its interim and quarterly reports (as applicable), its dividend notices and its notices of shareholder meetings.

