

Major changes to the Guidance Materials on 28 February 2020:

- Three updated Guidance Letters
 - **HKEXGL89-16:** Guidance on issues related to “controlling shareholder” and related Listing Rules implications
Updated to include the guidance that the ownership continuity and control requirement applies to the single largest shareholder when an applicant does not have a controlling shareholder, which was previously in FAQ Series 1 No.16 (now withdrawn).
 - **HKEX-GL52-13:** Guidance for mineral companies
Streamlined and consolidated guidance with regard to mineral companies set out in various Guidance Materials into this guidance letter. As a result, eight Guidance Materials (GL22-10, LD31-2012, LD32-2012, LD49-2013, LD50-2013, LD51-2013, LD53-2013 and FAQ Series 12) have been withdrawn and one Guidance Material (FAQ Series 20) is updated. The revised GL52-13 provides comprehensive guidance on:
 - *Disclosure in prospectus:* specific disclosure requirements in the prospectus and the Competent Person’s Report.
 - *Exemption of Main Board Rule 8.05 provided under Main Board Rule 18.04:* factors considered by the Exchange in assessing the two conditions for the exemption, namely “sufficient relevant experience” and “clear path to commercial production” (previously set out in GL22-10, LD31-2012 and LD53-2013).
 - *Matters in relation to Petroleum Resources and Reserves:* (1) factors considered by the Exchange in accepting alternative reporting standards (previously set out in LD51-2013); (2) under what circumstances the Exchange will allow presentation of net present value on pre-tax basis (previously set out in LD49-2013); and (3) under what circumstances the Exchange will grant a waiver from Main Board Rule 18.33(6) (GEM Rule 18A.33(6)) for disclosure of economic values of Possible Reserves, Contingent Reserves or Perspective Resources (previously set out in LD49-2013).

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- *Waiver from Main Board Rule 18.05(1) (GEM Rule 18A.05(1))*: under what circumstances the Exchange will grant a waiver and allow applicants to exclude part of their mining assets (Excluded Projects) in a CPR; and that these applicants are required to make alternative prospectus disclosure, annual update on the stage of development of the Excluded Projects and a CPR once the relevant information is available (previously set out in LD32-2012).
 - *Frequently asked questions*: attached as an appendix to the guidance letter (previously set out in LD50-2013 and FAQ Series 12 and 20).
- **HKEX-GL36-12**: Guidance on due diligence to be conducted by the sponsor and disclosure in the listing document relating to a distributorship business model Revised to provide more specific guidance on sponsors due diligence work and prospectus disclosure requirements in relation to a distributorship model to assist investors to properly assess the quality of applicant's revenue. In particular, the new guidance letter clarifies the following areas:
- *Definitions of "distributors" and "sub-distributors"*: "distributors" and "sub-distributors" include those who contractually resell or are expected to resell the applicant's products, which include franchisees and consignees. In addition to distribution through conventional avenues, with the rise of social media platforms and key opinion leaders (**KOLs**) as a means to promote and sell goods, sponsors are expected to perform sufficient due diligence on the platform and KOLs. Sponsors are expected to assess the substance of an applicant's relationship with its counterparties to identify the distributors.
 - *Major risks arising from a distributorship business model*: channel stuffing and recoverability of accounts receivables are two key risks of a distributorship business model which warrant enhanced sponsors due diligence and prospectus disclosure. Cannibalization is not a concern as long as overall growth in business is achieved subject to disclosure of the rationale for adopting cannibalization and the impact on the historical and expected financial performance of the applicant.
 - *Disclosure in prospectus*: updated guidance is provided on disclosure to enable investors to have an understanding on the arrangements and degrees of control an applicant has over its distributors and assess the risks of the distributorship business model.
- Eight sets of updated FAQs
 - **FAQ Series 1** (Rule requirements relating to listing criteria issues): Of the 44 questions, the Exchange has updated 20 to rephrase the questions and provide more direct answers, and/ or remove outdated guidance/ rule references, and withdrawn 10 mainly because the relevant guidance is already covered in the Listing Rules or

other Guidance Materials.

- **FAQ Series 5** (Rule amendments relating to GEM Review): Of the 34 questions, the Exchange has updated 15 to combine similar questions and provide more direct answers and detail explanation of our current practice, and withdrawn 18 mainly because the market is already familiar with the relevant GEM requirements which were introduced in 2008.
- **FAQ Series 8** (Rule amendments relating to the 2008 Combined Consultation): Of the 53 questions, the Exchange has updated 17 to provide more direct answers, and withdrawn 10 mainly because the market is already familiar with the relevant requirements which were introduced in 2008.
- **FAQ Series 20** (Rule requirements relating to notifiable transactions, connected transactions and issues of securities): Of the 26 questions, four related to mineral companies have been withdrawn and the relevant guidance is included in the revised GL52-13.
- **FAQ Series 24** (Listing Rule changes to complement the Securities and Futures Commission's New Sponsor Regulation effective on 1 October 2013): Of the 14 questions, the Exchange has updated five to rephrase the questions and to provide more direct answers; one related to administrative arrangement on hearing invitations has been withdrawn, which the market is already familiar with.
- **FAQ Series 26** (Questions relating to the new Companies Ordinance ("New CO") and its impact on issuers): Only editorial amendments have been made to the eight questions, which still provide valid and useful guidance.
- **FAQ Series 31** (Questions relating to the Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments): Of the 14 questions, the Exchange has updated four to rephrase the questions and provide direct answers, and withdrew seven which provided guidance on the certain Rule amendments in 2015.
- **FAQ No.008-2017 to 022-2017 and 023-2018** (Questions relating to the Review of The Growth Enterprise Market (GEM) and changes to the GEM and Main Board Listing Rules): Of the 16 questions, three have been updated to provide clearer guidance, and three on providing guidance on the arrangements in relation to the Rule amendments in 2018 have been withdrawn.

- 15 withdrawn Guidance Materials – In addition to the eight Guidance Materials that have been consolidated into the revised GL52-13 as mentioned above, four outdated Listing Decisions (LD106-1, LD46-3, LD21-2 and LD12-3) and three Interpretative Letters (RL4-05, RL6-05 and RL22-07) have been withdrawn.