

HKEx GUIDANCE LETTER
HKEx-GL71-14 (January 2014)

Subject	Gambling Activities Undertaken by Listing Applicants and/ or Listed Issuers
Listing Rules	Main Board Rules 2.13(2) and 11.07 GEM Rules 14.08(7) and 17.56(2)
Related Publication	HKEx News Release (11/3/2003)
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Important note: *This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules, or this letter.*

1. Purpose

- 1.1. This is a reproduction of the HKEx News Release dated 11 March 2003 regarding Gambling Activities Undertaken by Listing Applicants and/ or Listed Issuers.

2. The Announcement

- 2.1 The Stock Exchange of Hong Kong Limited (the Exchange) has received enquiries as to whether a listing applicant involved in the operation of gambling activities is suitable for listing and whether a listed issuer can invest in a company involved in the operation of gambling activities.
- 2.2 As an internal guideline, the Exchange has been mindful of ensuring that such activities undertaken by a listing applicant or listed issuer are not contrary to public policy. In view of the amendments to the Gambling Ordinance, which came into effect on 31 May 2002, the Exchange has updated its guideline. It would not be contrary to public interest if a listing applicant or listed issuer is involved in the operation of a gambling activity that is not unlawful under the Gambling Ordinance. Such gambling activity has the following features
- the gambling activity takes place outside Hong Kong; and
 - the bookmaking transactions and the parties to the transactions are outside Hong Kong.
- 2.3 In addition, the gambling activity should not violate any applicable laws in the areas where such activity operates.
- 2.4 The Exchange also notes that other major exchanges permit the listing of companies involved in the gambling business, and acquisitions of or investments in gambling business by listed issuers.

2.5 Additional relevant disclosure, however, would be required in the prospectus, announcement or circular concerned if a listing applicant or listed issuer is involved in the operation of a gambling activity that is not unlawful under the Gambling Ordinance. The Exchange would determine, based on the specific circumstances of the case, the extent of disclosure required with a view to ensuring transparency of the operation of the specific gambling activity and the associated risks. Such disclosure would include the type(s) of gambling activities involved, the applicable regulatory or licensing requirements and the specific risks in relation to operation of such activities. For listed issuers acquiring or investing in the gambling business, such additional relevant disclosure would be required on top of the disclosure required by Chapter 14 or Paragraph 2 of the Listing Agreement (in respect of the Main Board Listing Rules) or Chapters 19 and/ or 20 or Rule 17.10 (in respect of the GEM Listing Rules). The extent of additional relevant disclosure would depend on the materiality of the transaction to the issuer concerned.

2.6 The following requirements apply where the company concerned is found to engage in activities contrary to the Gambling Ordinance after it is permitted to be listed or after its shares are acquired by a listed issuer.

A. Listing Applicants

2.6.1 Where a listing applicant invests in gambling activities, it would be a condition to listing that the issuer must use its best endeavours to ensure that the operation of the gambling activities, throughout its listing, (i) comply with the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance.

2.6.2 Should the operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate; and/ or (ii) contravene the Gambling Ordinance, the issuer or its business may be considered unsuitable for listing under Rule 8.04 of the Main Board Listing Rules or Rule 11.06 of the GEM Listing Rules. Depending on the circumstances of the case, the Exchange may direct the issuer to take remedial action, and/or may suspend dealings in, or may cancel the listing of, its securities pursuant to Rule 6.01 of the Main Board Listing Rules or Rule 9.01 of the GEM Listing Rules.

2.6.3 The prospectus must highlight in the Risk Factors section the risk of revocation of listing should the operation of such gambling activities fail to fulfill the above condition to listing in relation to legality.

B. Listed Issuers

2.6.4 Where a listed issuer invests directly or indirectly in gambling activities, it would be required to use its best endeavours to ensure that the operation of the gambling activities must, after the investment and throughout the holding of such investment, (i) comply with the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance.

2.6.5 Should the operation of such gambling activities (i) fail to comply with the applicable laws in the areas where such activities operate; and/ or (ii) contravene the Gambling Ordinance, the issuer or its business may be considered unsuitable for listing under Rule 8.04 of the Main Board Listing Rules or Rule 11.06 of the GEM Listing Rules. Depending on the circumstances of the case, the Exchange may direct the issuer to take remedial action, and/or may suspend dealings in, or may cancel the listing of, its securities pursuant to Rule 6.01 of the Main Board Listing Rules or Rule 9.01 of the

GEM Listing Rules.

- 2.6.6 The announcement and, where applicable, circular of the issuer on any investment in relation to the operation of gambling activities must confirm that the gambling activities are lawful and highlight the risk of suspension and cancellation of listing should the operation of the gambling activities fail to fulfill the above legality requirement.
