



Media Workshop on HKEx's RMB Products

RMB IPO Models and Issuance of RMB Bonds

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Agenda

1

Why Issue RMB Equities in Hong Kong

2

RMB IPO Models and Trading Support Facility

3

Issuance of RMB Bonds

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Issuance of RMB Bond

RMB Products Listed on HKEx

Debt Securities

- 41 RMB bonds listed
- Total of RMB 66 billion issued, including
 - Agricultural Development Bank of China
 - Baosteel Group Corporation
 - China Development Bank Corporation
 - Ministry of Finance

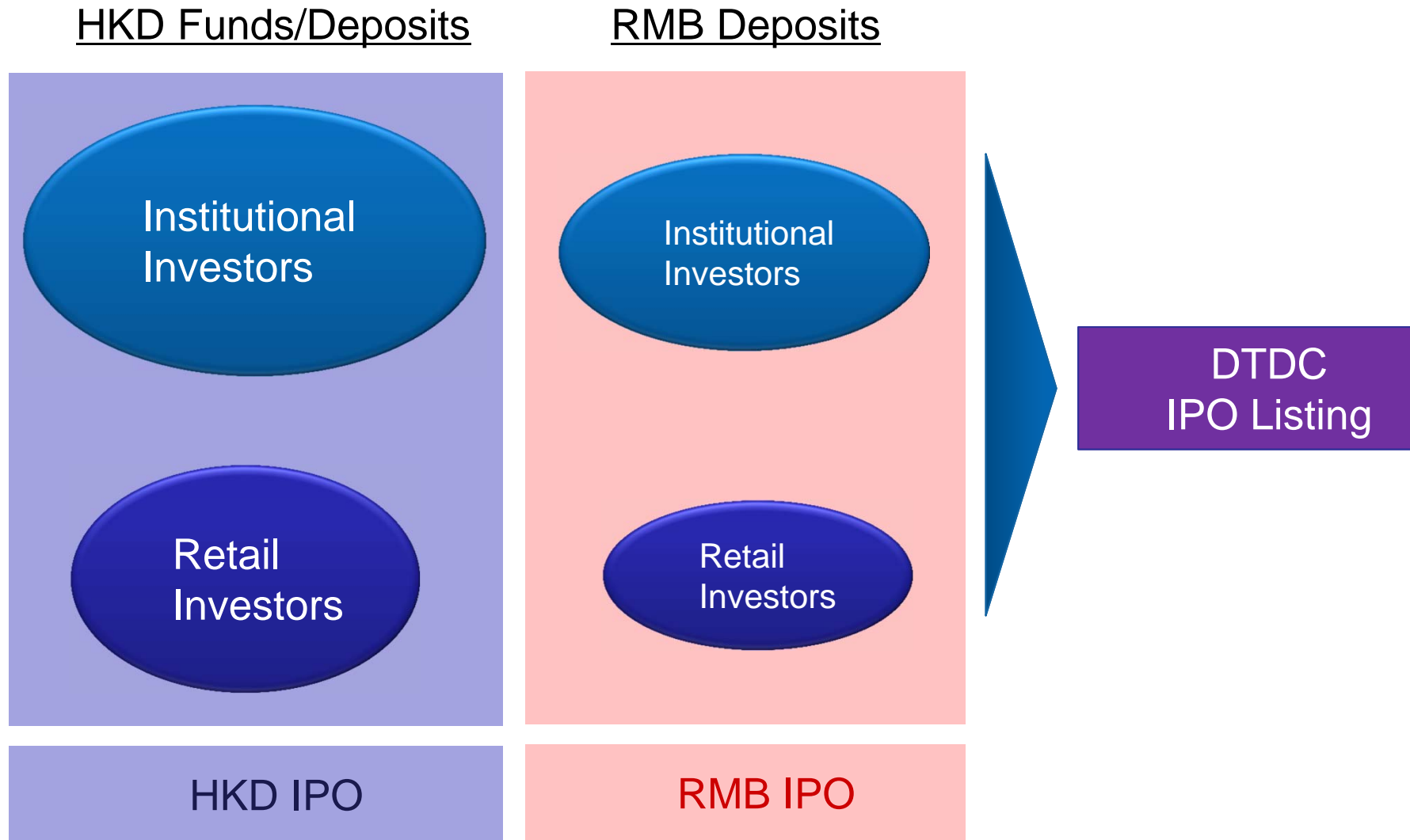
Exchange Traded Funds (ETFs)

- 4 RMB ETFs listed
- Total of RMB 11 billion asset under management, including
 - ChinaAMC CSI 300 Index ETF
 - Hang Seng RMB Gold ETF

Real Estate Investment Trusts (REITs)

- 1 RMB REIT listed
- RMB 11 billion issued
 - Hui Xian REIT

Diversified Investor Base Increases the Opportunity for a Successful Listing



Why Issue an RMB IPO?



Raise Company Profile

- Be among the first few companies to issue RMB IPOs outside of Mainland China
- RMB IPOs will attract local and international investor interest
- Expect to receive high level of media attention internationally
- Publicity in Mainland China to help brand-building

Untapped Demand for RMB Products

- Untapped demand for RMB products among investors - Hong Kong RMB deposits of RMB589 billion by end of 2011
- In contrast to relatively low-yielding savings accounts, RMB funds have potential capital appreciation

Why Issue an RMB IPO? (Cont'd)



Reduce FX Risk

- Ideal way for companies with substantial RMB operating expense requirements to hedge against an appreciating RMB and to deploy capital for Mainland expansion
- Streamlined process announced

Potential Exposure to Mainland Investors

- Potential interest from Mainland investors in the future as the capital account opens
- Likely market re-rating with increased turnover
- Facilitate future follow-on fund raisings

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1

Why Issue RMB Equities in Hong Kong

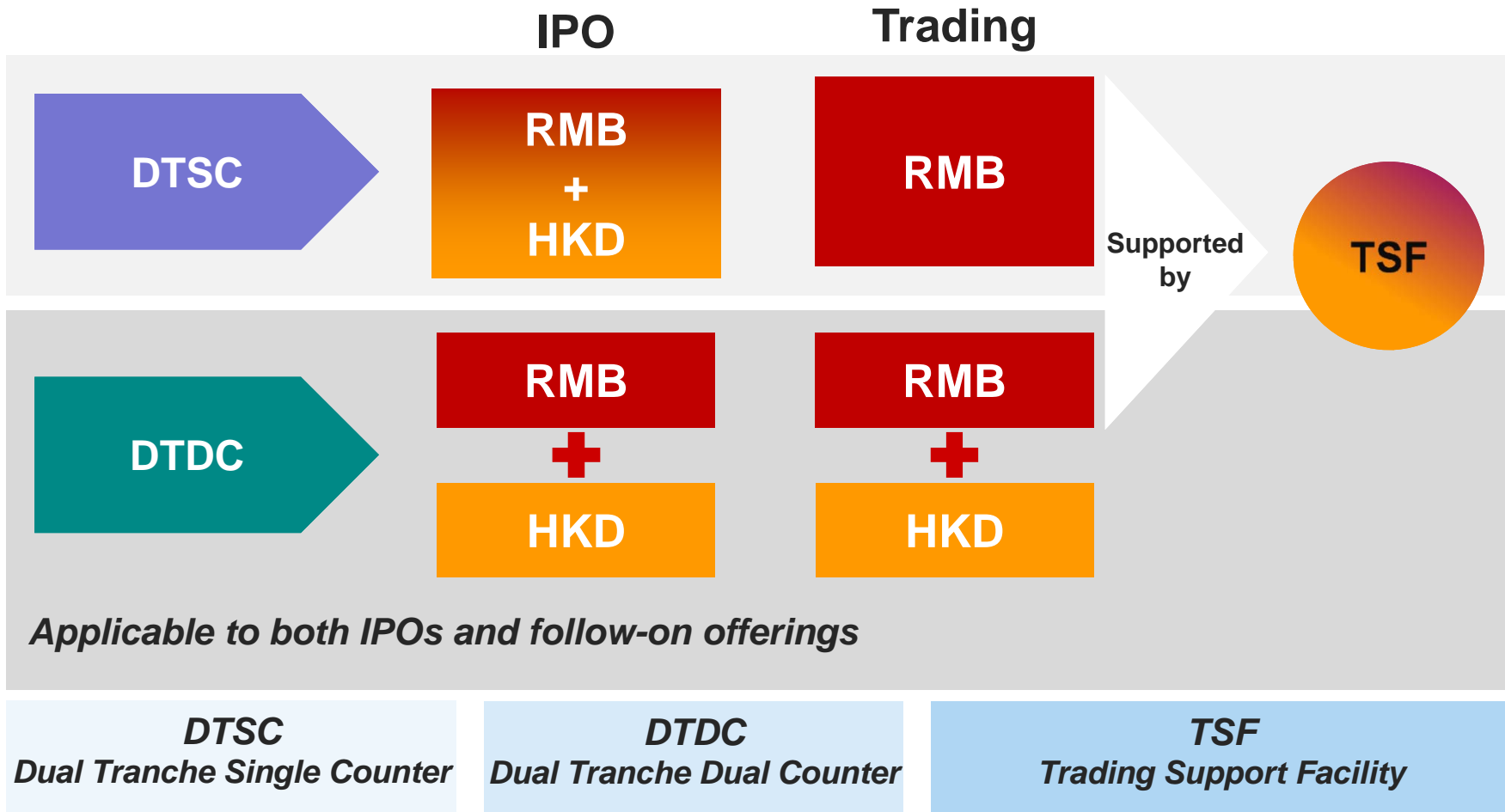
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Issuance of RMB Bond

Different Models & Facilities to Support the Listing & Trading of RMB Equities

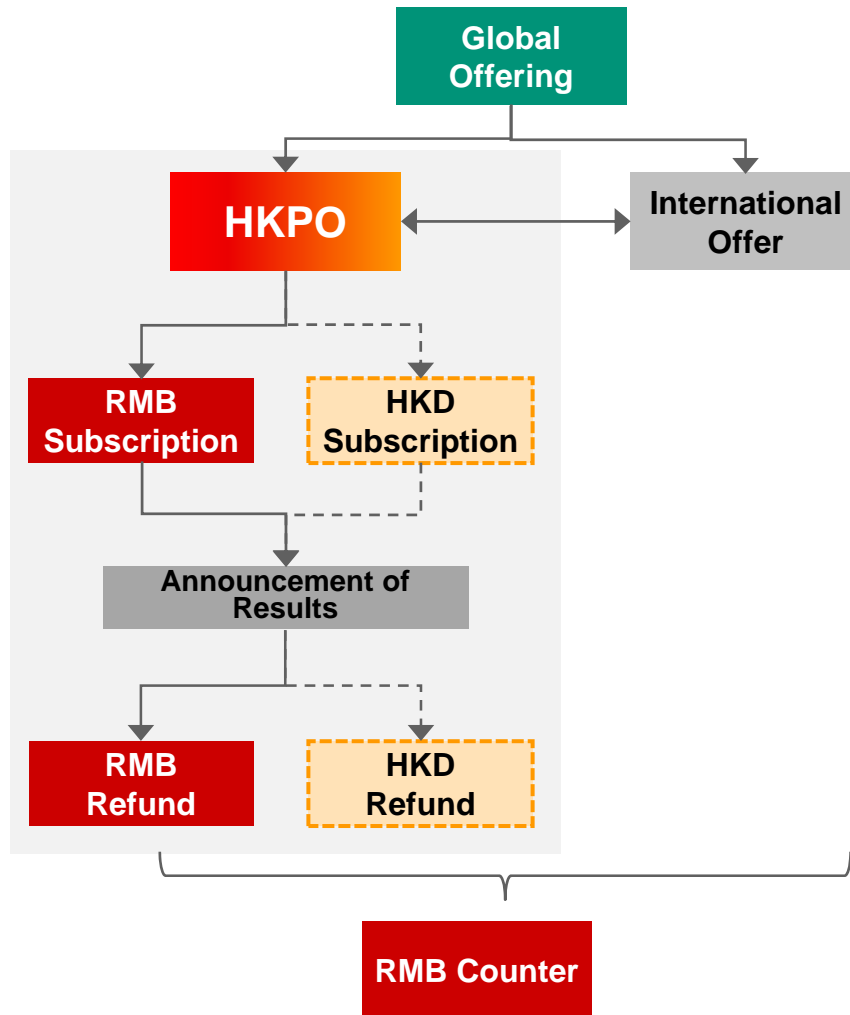


RMB equity issuance models and Trading Support Facility are ready for the market

Dual Tranche, Single Counter (DTSC)



IPO Structure



Key Principles

- Optional to issuers
- Minimise stress on CNH* market during IPO period if heavily over-subscribed
- Enable issuers to leverage upon the HKD deposit base
- Margin-financing using HKD

* CNH: RMB in Hong Kong

Dual Tranche Dual Counter (DTDC) Overview



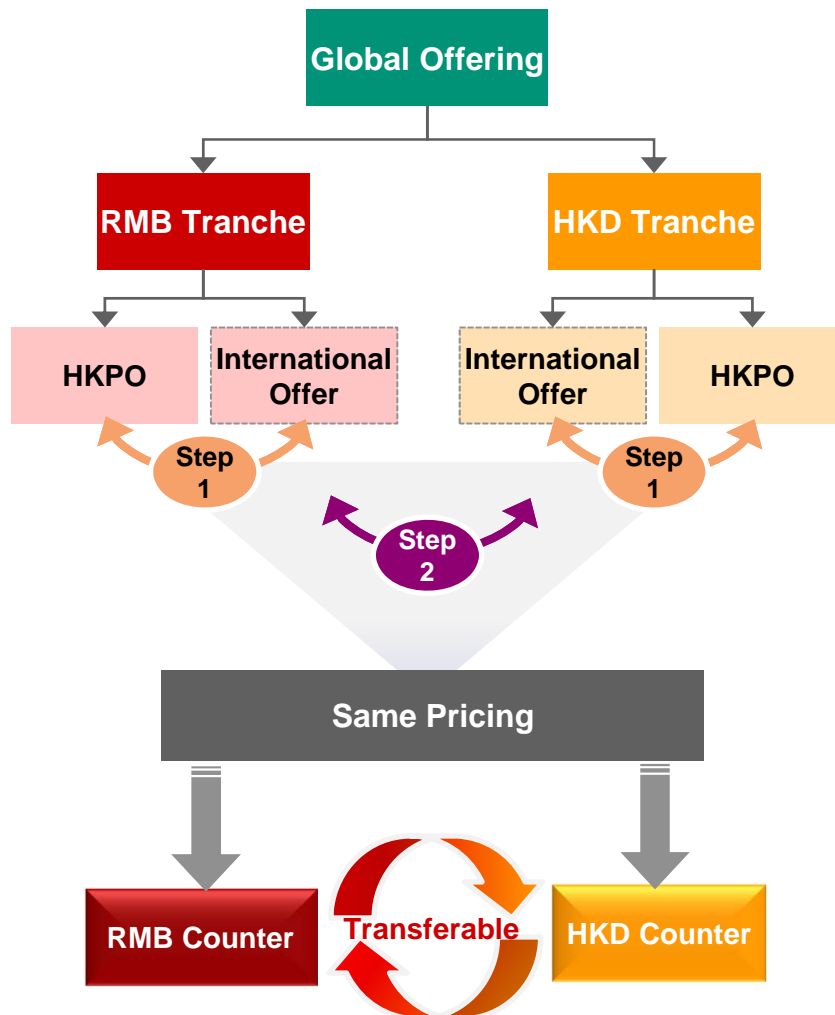
Dual Tranche Dual Counter Model	Description
<p>The diagram illustrates the DTDC model in three stages:</p> <ol style="list-style-type: none"> 1. IPO: Shows two separate tranches, RMB (red) and HKD (orange). 2. CCASS / Register of Member (ROM): Shows the RMB and HKD tranches within a dashed box, connected by a circular arrow labeled 'Transferable', indicating that shares can be traded between the two currencies. 3. Secondary Market (Trading & Clearing): Shows the RMB and HKD tranches again, indicating that trading and clearing occur in both currencies. 	<p>Listing</p> <ul style="list-style-type: none"> ■ Simultaneous offering and initial listing of a tranche of RMB-traded shares and a tranche of HKD-traded shares by the same issuer ■ Same offer price <p>Post-Listing</p> <ul style="list-style-type: none"> ■ Allow transferability ■ Same class of shares with identical shareholders' rights ■ Trading and clearing in two "counters" with different stock codes ■ Ownership disclosure on combined tranches ■ No additional intermediary required

DTDC is applicable to both IPOs and Follow-on Offers

DTDC Mechanism: IPO Process (Option 1)



IPO Structure



Claw-back / Re-allocation

Step 1

- Intra-tranche claw-back applies as per PN18
- Intra-tranche re-allocation (where applicable) also applies as per existing IPO practice and Listing Rules

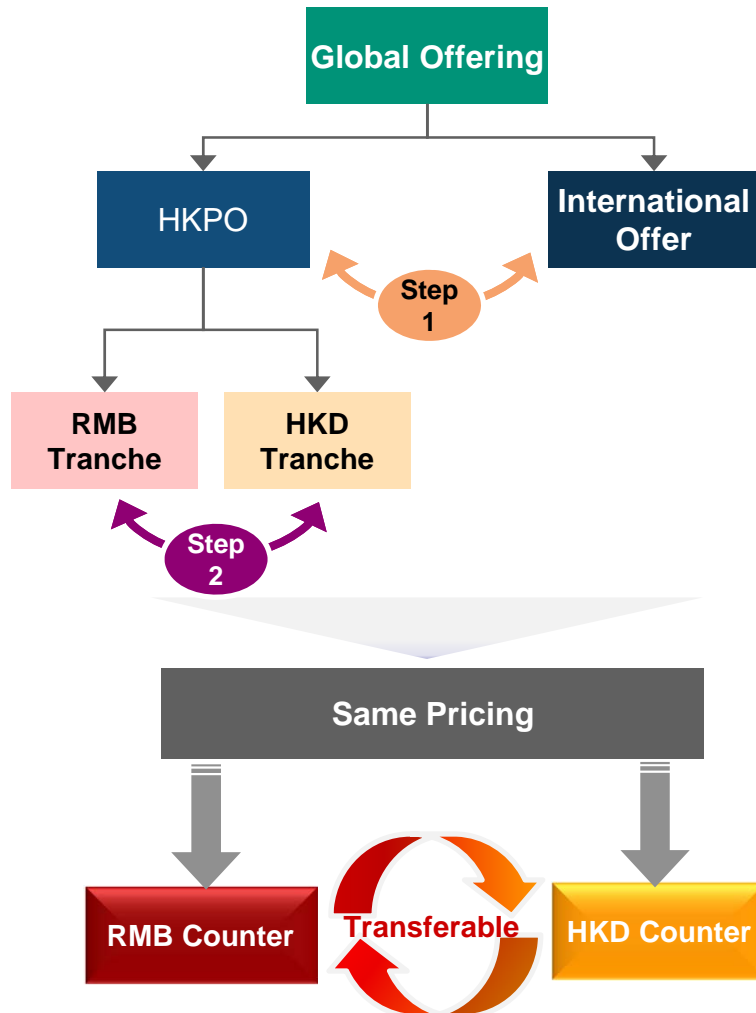
Step 2

- Inter-tranche re-allocation allowed
 - Fair re-allocation
 - Minimum RMB tranche size
 - Same pricing for both RMB tranche and HKD tranche after currency conversion

DTDC Mechanism: IPO Process (Option 2)



IPO Structure



Claw-back / Re-allocation

Step 1

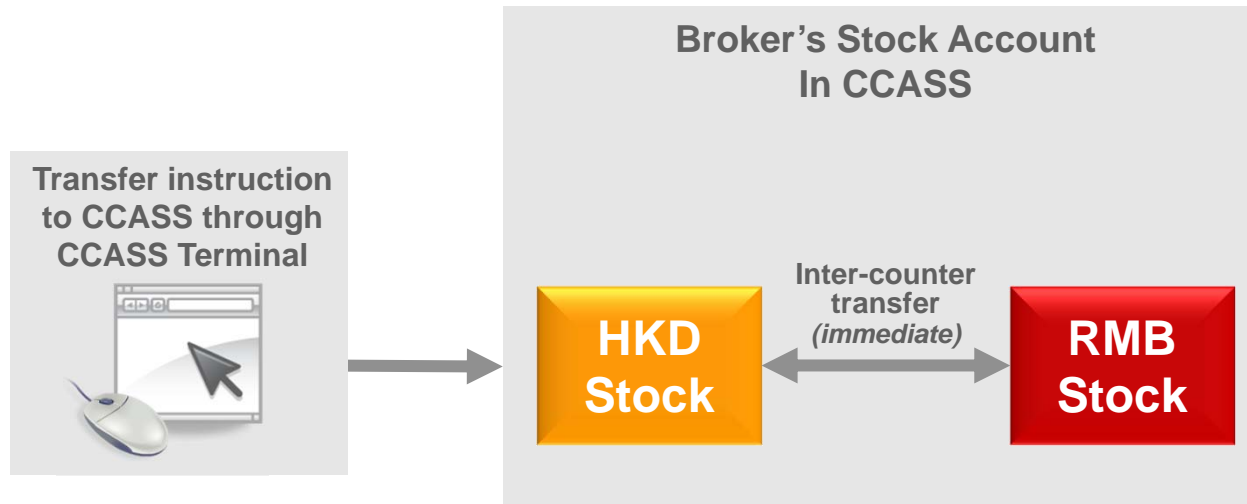
- Claw-back / re-allocation mechanism applies as per existing PN18 between HKPO and International Offer

Step 2

- Re-allocation between RMB tranche and HKD tranche of HKPO allowed
 - Fair re-allocation
 - Minimum RMB tranche size
 - Same pricing for both RMB tranche and HKD tranche after currency conversion

DTDC Mechanism:

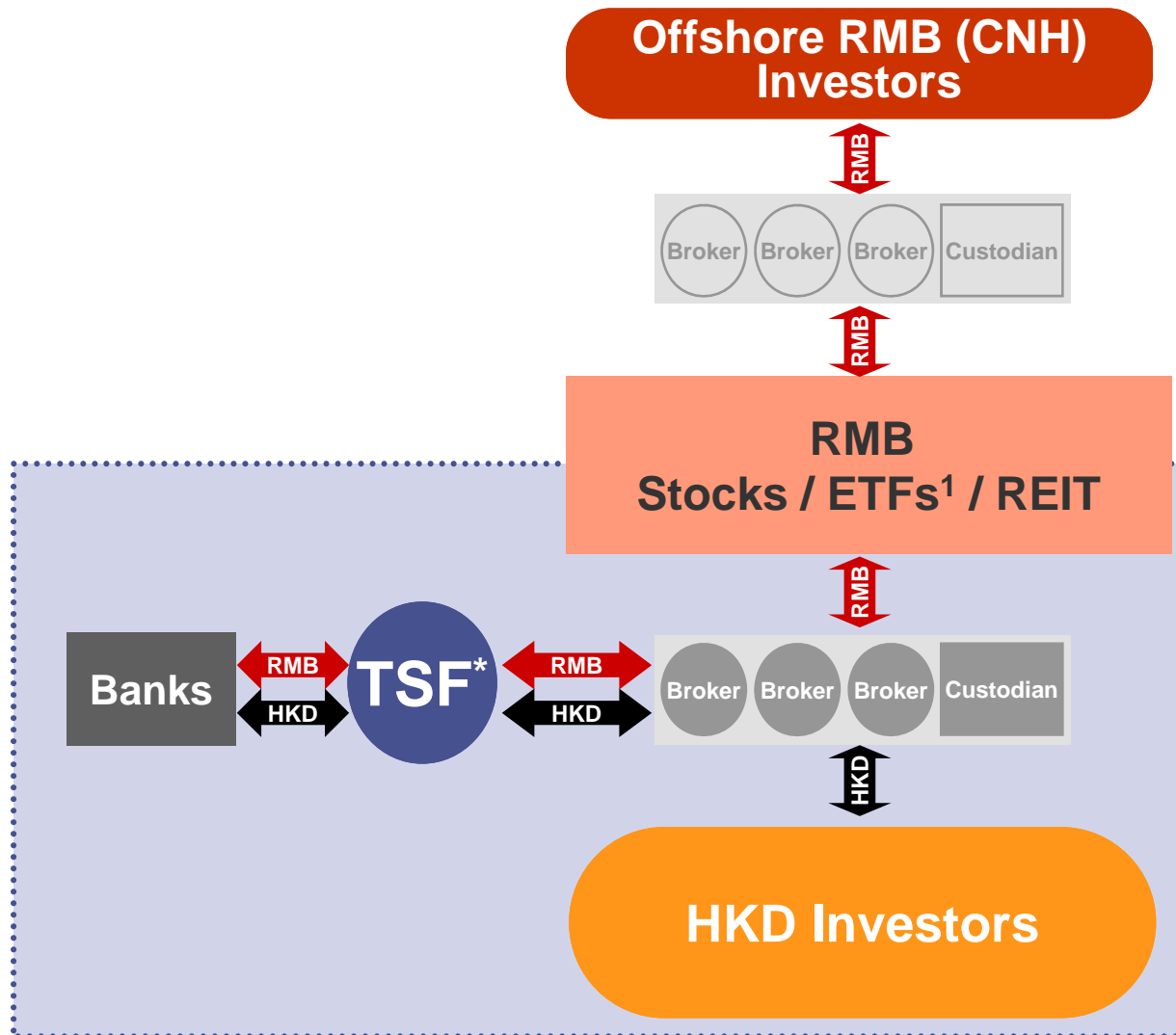
Inter-counter transfer can be done in CCASS electronically



- CCASS Participants who hold shares in CCASS can transfer shares between the HKD and RMB stock counters
- Electronic instruction:
 - Through CCASS Terminal
 - Immediate transfer (if shares available)
 - Batch transfer at 9:15am, 10:15am, 12:30pm, 2:30pm and 3:30pm respectively (if shares not available at input)
- Handling fee: HK\$5 per instruction

Investors who hold share certificates can transfer shares at the relevant share registrar, which takes 2 to 7 working days

How does the TSF work?



Key Features

Back-up

Re-cycle

Open (but optional) to all brokers / custodians

Committed in size, but commercially-priced

Note: 1. With equities as underlying

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Amendments to Chapter 37 of the Listing Rules in November 2011

- Simplified disclosure requirements
- Streamlined the approval procedures; shorter turnaround time
- Aligned the definition of professional investors with that in SFO

Eligibility Requirements

Net assets of
HK\$100
million⁽¹⁾

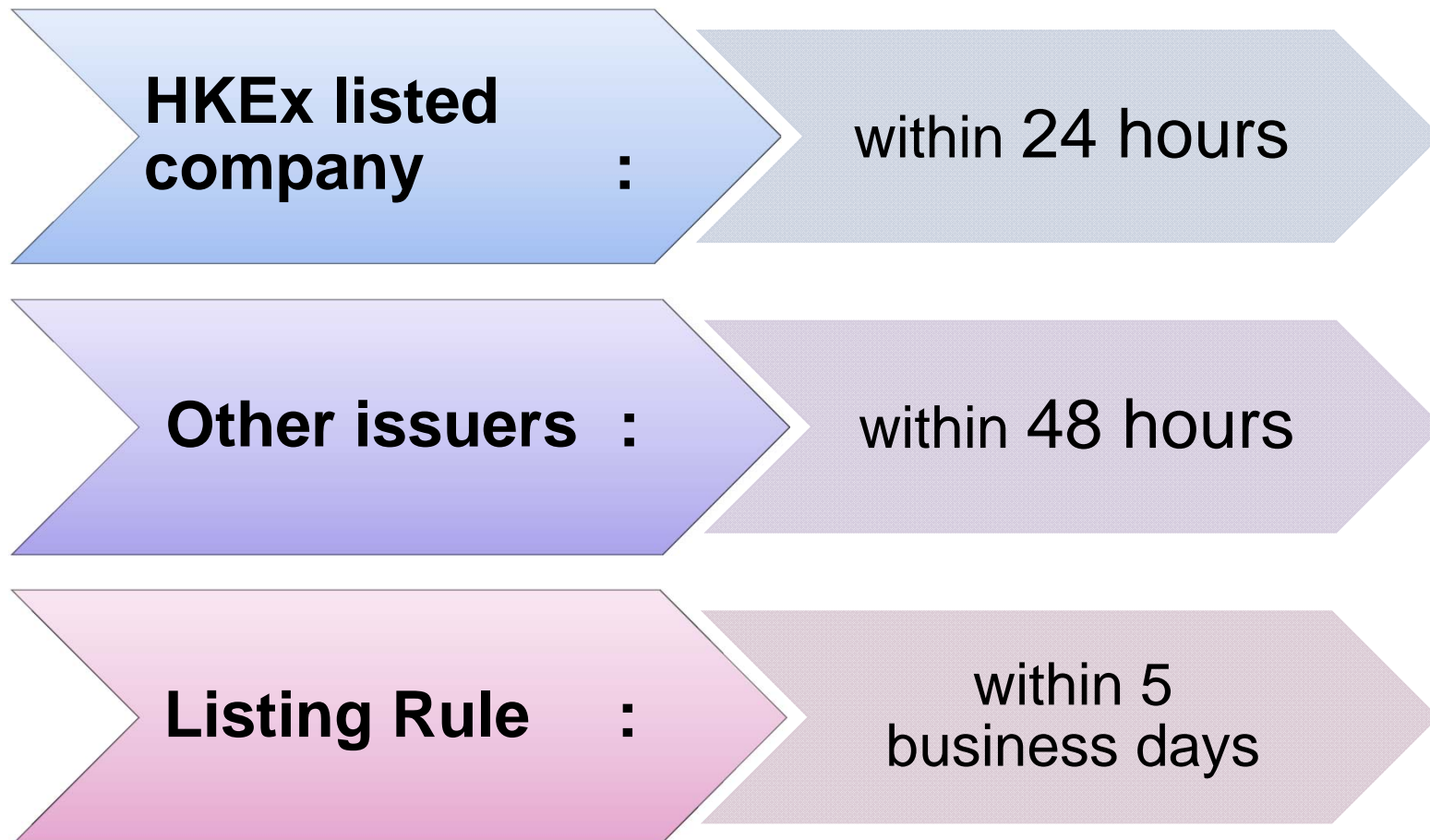
2 years
audited
accounts⁽²⁾

Minimum
denomination
of HK\$500,000

- (1) Not applicable to listed company on HKEx or another exchange, supranational or state corporation
- (2) Not applicable to listed company on HKEx, supranational or state corporation

Processing Time

With no novel features:



Information that professional investors would customarily expect to contain

Statements

- HKEx disclaimer
- Issuer responsibility statement
- Selling restrictions to professional investors only

Definition of Professional Investors



Investor Type	Definition of Professional Investors	
	Listing Rules	SFO
Authorised financial institution, insurance company, fund, government etc.	✓	✓
High net worth individuals or institutions	Waiver	✓

Listing Fee

HK\$7,000 to HK\$90,000
(depending on issue size and time-to-maturity)

No annual fee

Amongst the lowest in Asia Pacific



Example : Listing fee is capped
at HK\$39,000 for a
5-year bond

RMB Debt Securities Statistics



Number of Listed RMB Bonds: 41

Year	Number of Listings	Nominal Value (in RMB billion)
Since rule amendment *	30	52.7
Corresponding period in 2011	11	13.3
Increment	173%	296%

Source: HKEx as at 31 August 2012