

FAQs – Main Board Listing Rules – Chapter 8

Question:

What are the listing requirements for HDR issuers? How do they compare with the requirements for issuers of ordinary shares?

Answer:

The listing requirements for HDR issuers are essentially the same as for issuers of shares, ie Chapter 8 of the Listing Rules applies to issuers of HDRs as well as to issuers of shares.

HDR issuers have to comply with certain additional requirements set out in the new Chapter 19B of the Listing Rules. These additional requirements concern the contents of the deposit agreement and other DR-specific matters.

FAQ Series 6, FAQ No. B2

LR reference: Main Board Rules 8.01, 19B.01

Released on 9/5/2008

Question:

Under Rule 8.05, incidental income (not arising out of the principal business) and results of associated companies should not be accounted for in arriving at the profit figure. How will the results of a jointly controlled entity which has been accounted for by the proportional consolidation method under International Auditing Standards be treated?

Answer:

Normally, results of jointly controlled entities will be excluded for the purposes of Rule 8.05, unless the issuer can demonstrate positive control over the entities.

FAQ Series 1, FAQ No. 17

LR reference: Main Board Rule 8.05

Released on 30/3/2004

Question:

In the case of an H-share issuer whose domestic shares are quoted on NEEQ, will the Exchange count any domestic shares held by public shareholders as part of the issuer's public float under Rules 8.08 and 13.32?

Answer:

No. In this case, only listed H-shares held by members of the public are counted towards the issuer's public float under the Rules.

For the avoidance of doubt, when calculating the percentage of public float, the total number of issued shares of the issuer (i.e. denominator) refers to all classes of shares in issue including H shares and domestic shares.

FAQ Series N/A, FAQ No. 068-2019

LR reference: Main Board Rules 8.08, 13.32 / GEM Rule 11.23(7)

Released on 30/09/2019

Question:

How is the market capitalization of shares held in the hands of the public ascertained for a biotech company?

Answer:

A biotech company listing under Chapter 18A must meet both Rule 8.08(1) and 18A.07. For the purpose of Rule 18A.07, the applicant must ensure that it has at least HK\$375 million of public float at the time of listing, which must exclude subscriptions by existing shareholders at IPO and subscriptions through cornerstone investments.

FAQ Series N/A, FAQ No. 040-2018

LR reference: Main Board Rules 8.08(1), 8.24, 18A.07

Released on 24/08/2018

Question:

Please clarify what the issuer's total issued share capital refers to for the purpose of calculating public float under Rule 8.08(1)(b)?

Answer:

It refers to all classes of shares in issue including shares listed on the Exchange and other regulated exchanges and other unlisted shares.

FAQ Series 1, FAQ No. 20

LR reference: Main Board Rule 8.08(1)(b) / GEM Rules 11.23(7)

Released on 30/3/2004 (Updated in February 2020)

Question:

What are the changes to the Main Board Listing Rules?

Answer:

The minimum market capitalisation at the time of listing will increase from HK\$200 million to HK\$500 million.

The minimum public float value at the time of listing will increase from HK\$50 million to HK\$125 million.

FAQ Series N/A, FAQ No. 010-2017

LR reference: Main Board Rules 8.08(1)(b), 8.09(1), 8.09(2)

Released on 15/12/2017

Question:

If a listed issuer has high shareholding concentration, its bonus issue of a new class of securities involving options, warrants or similar rights to subscribe or purchase shares will be subject to the minimum spread of securities holders requirement. How does the Exchange determine whether the issuer has a high shareholding concentration for this purpose?

Answer:

A listed issuer is considered to have high shareholding concentration if it has published relevant announcements pursuant to Main Board Rule 13.34(a) (GEM Rule 17.36), or SFC has published relevant press releases on the issuer, during the five year period immediately preceding the date of the issuer's announcement on the proposed bonus issue.

FAQ Series 8, FAQ No. 15

LR reference: Main Board Rules 8.08(2), 8.08(3) / GEM Rules 11.23(3)(b)(ii), 11.23(8)

Released on 28/11/2008 (Updated in February 2020)

Question:

How should a transfer applicant demonstrate compliance with the minimum market capitalisation requirement under Rule 8.09(2) or paragraph 7(1)(a) of Appendix 28 to Main Board Rules ("**MB Mkt Cap Requirement**")?

Answer:

Market capitalisation should be calculated using the share price on the date of listing on the Main Board. In practice, the Exchange assess whether the applicant will be able to meet the MB Mkt Cap Requirement based on the closing share price on the trading day immediately before the first day of the proposed transfer (i.e. Main Board listing). The Exchange will also examine the applicant's share price movement during the trading record period, and if the applicant had not been able to meet the MB Mkt Cap Requirement for a prolonged period of time, the Exchange will closely monitor the applicant's share price movement and critically examine any unusual increase, especially when close to the day of transfer. The Exchange may not approve the transfer application until the applicant and its sponsor provide reasonable and satisfactory explanation on the unusual share price movement. Further, if the applicant's share price and/ or trading volume had been volatile, the Exchange will require the applicant to make relevant prominent disclosure in the transfer announcement/ listing document.

FAQ Series 5, FAQ No. 21

LR reference: Main Board Rule 9A.02(1), 8.09(2), paragraph 7(1)(a) of Appendix 28

Released on 2/5/2008 (Updated in February 2020)

Question:

Will there be any change in what is meant in the Rules by "fully paid" and "partly paid" shares for Hong Kong-incorporated issuers after the New Companies Ordinance becomes effective?

Answer:

Yes. When the New Companies Ordinance becomes effective, "fully paid" will mean that the shareholder to whom shares are issued has paid the full consideration which was agreed to be paid for those shares, i.e., the issue price (and not that the shareholder has paid the full nominal value of those shares, as is

the case under the existing Companies Ordinance). "Partly paid" will mean that the full issue price has not been paid.

FAQ Series 26, FAQ No. 7

LR reference: Main Board Rules 7.28, 8.11, 8.13, 10.06 (1)(a)(i); App 1A (paras 15(2)(d), 23(1) and 26); App 1B (paras 22(1) and 24); App 1C (para 34); App 1E (paras 23(1), 26 and 49(2)(d)); App 1F (paras 18(1) and 20); App 2A (para 4(3)); App 5 Forms / GEM Rules 10.45, 11.25, 11.27, 13.07(1); App 1A (paras 23(1) and 26); App 1B (paras 22(1) and 24); App 1C (para 34); App 2A (para 4(3)); App 5 Forms

Released on 21/2/2014 (Updated on 01/01/2022)

Question:

Listco has appointed Trustee A the trustee of its employee share scheme established for a wide scope of participants including Listco's directors and certain employees who are not connected persons. Since the interests of Listco's directors in the scheme are together less than 30%, Trustee A is not an "associate" of the directors under Rule 14A.12(1)(b) and therefore not a connected person of Listco.

- (a) Is Trustee A a "close associate" of the directors under Rule 1.01?
- (b) Will the shares held by Company A on behalf of the beneficiaries of the scheme be regarded as being "in public hands"?
- (c) Trustee A, acting as the trustee of the scheme, holds more than 10% of Listco's total issued shares. Under the scheme, it is not allowed to exercise the voting rights attaching to shares. Is Trustee A a substantial shareholder of Listco?

Answer:

- (a) Yes. The exclusion for the definition of "associate" under Rule 14A.12(1)(b) does not apply to the definition of "close associate" under Rule 1.01.
- (b) No, because Trustee A is a close associate of Listco's directors and therefore a core connected person for the purpose of Rule 8.24.
- (c) No. Trustee A does not fall under the definition of "substantial shareholder" under Rule 1.01.

FAQ Series 28, FAQ No. 4A

LR reference: Main Board Rule 1.01, 8.24, 14A.12(1)(b) / GEM Rules 1.01, 11.23(11) Notes 2 and 3,

20.10(1)(b)

Released on 1/7/2014

Question:

Are all overseas issuers, regardless of their place of incorporation and/ or place of central management and control (if different), eligible to apply for a primary listing, a dual primary listing or a secondary listing on the Exchange?

Answer:

The Listing Rules require that each of the statutory securities regulator of an overseas issuer's jurisdiction of incorporation and the statutory securities regulator of the place of central management and control must be a full signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

An issuer must also demonstrate how the domestic laws, rules and regulations to which it is subject and its constitutional documents, in combination, provide the protection set out in the Core Standards.

FAQ Series 25, FAQ No. 7

LR reference: Main Board Rules 8.02A and Appendix 3/ GEM Rules 11.05A and Appendix 3

Released on 01/01/2022