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**LISTING MINERAL COMPANIES ON  
THE HONG KONG STOCK EXCHANGE**

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## INTRODUCTION

Mineral and petroleum companies seeking to list on the Stock Exchange of Hong Kong Limited (**HKEx**) are required to meet the basic eligibility criteria for listing set out in Chapters 8 and 11 of the Main Board Rules and GEM Rules, respectively, as well as additional requirements for Mineral Companies set out in Chapter 18 of the Main Board Rules or Chapter 18A of the GEM Rules. The following provides a summary of the relevant requirements. For the definitions of capitalised terms not otherwise defined, please see the glossary to this note.

The particular advantage of listing as a Mineral Company on the Main Board is the possibility of obtaining a waiver from the requirement to meet the financial tests of Main Board Rule 8.05.

### 1. MINERAL COMPANIES DEFINITION

The HKEx listing rules (“**Rules**”) apply to **Mineral Companies** which are:

- New listing applicants whose Major Activity (whether directly or through their subsidiaries) is the exploration for and/or extraction of natural resources (which include minerals or petroleum). A Major Activity is one representing 25% or more of the total assets, gross revenue or operating expenses of the applicant and its subsidiaries. Although the definition does not refer specifically to production activities (such as smelting), the Consultation Conclusions on New Listing Rules for Mineral Companies (“**Conclusions**”) published by the HKEx on 20 May 2010 note that other exchanges interpret the term “extraction” to include production and that companies engaged in extraction and production may qualify as Mineral Companies under the Rules. Companies involved solely in production or processing may however only be eligible for listing under Chapter 8 of the Main Board Rules or Chapter 11 of the GEM Rules; and
- Existing listed issuers that complete a major transaction (i.e. 25% or more of existing activities) or above involving the acquisition of mineral or petroleum assets.

### 2. LISTING ELIGIBILITY REQUIREMENTS

Mineral Companies seeking to list on HKEx need to satisfy the basic requirements for listing. A summary of the key listing criteria is included in the appendix to this note. The additional eligibility criteria for Mineral Companies under Chapter 18 (GEM Chapter 18A) are set out below.

#### 2.1. Eligibility of Exploration Companies

A new applicant Mineral Company will be required to have at least a portfolio of Indicated Resources (in the case of minerals) or Contingent Resources (in the case of petroleum) that are identifiable under one of the accepted reporting standards and substantiated in the report of an independent expert (a **Competent Person**) (MB Rule 18.03(2)/GEM Rule 18A.03(2)). The definition of Indicated Resources is based on the definition of Indicated Mineral Resources in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition) (**JORC Code**) and that of Contingent Resources is based on the same definition in the Petroleum Resources Management System of September 2007 (**PRMS**). The portfolio is also required to be meaningful and of sufficient substance to justify a listing. We have been told informally that this requirement will be

satisfied in the case of a Main Board listing applicant if the HK\$200 million market capitalisation requirement will be met at the time of listing. Early stage exploration companies are thus not eligible for listing.

## **2.2. Rights of Active Participation**

A new applicant Mineral Company must be able to demonstrate that it has the right to actively participate in the exploration for and/or extraction of resources either through:

- control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of resources. This will normally be interpreted as an interest of more than 50%. Companies must also disclose full details of their exploration and/or extraction rights; or
- adequate rights arising under arrangements acceptable to HKEx, which give it sufficient influence in decisions over the exploration for and/or extraction of the resources. Arrangements which may be acceptable include joint ventures, production sharing contracts or specific government mandates. HKEx has stated in the Conclusions that it will adopt a purposive approach to determining what is appropriate in specific circumstances and places the onus on applicants to demonstrate the adequacy of their rights and sufficiency of influence (Main Board Rule 18.03(1)/GEM Rule 18A.03(1)).

## **2.3. Working Capital Requirements**

A new applicant Mineral Company will be required to demonstrate that it has sufficient working capital for 125% of the group's requirements for the next 12 months including general, administrative and operating costs, property holding costs and the cost of any proposed exploration and/or development (Main Board Rule 18.03(4)/GEM Rule 18A.03(4)). A statement as to the sufficiency of working capital must be included in the listing document.

## **2.4. Waiver of Main Board Financial Tests/GEM 2-year Trading Record Period**

### Main Board

A new applicant Mineral Company that cannot satisfy the profit test, the market capitalisation/revenue/cash flow test or the market capitalisation/revenue test of Main Board Rule 8.05, may be accepted for listing if it establishes to HKEx's satisfaction that its directors and senior management, taken together, have a minimum of 5 years' experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing (Main Board Rule 18.04). Details of such experience must be included in the applicant's listing document. The Conclusions note that a pre-production stage company seeking a waiver under Main Board Rule 18.04 will need to show a clear path to commercial production. HKEx expects most companies seeking a Rule 18.04 waiver to be at the development stage, although companies which are in production are not necessarily precluded as they may have junior assets which are yet to be developed. Companies that are in production will however need to be able to show a clear path to profitability in order to be accepted for listing under Rule 18.04.

### GEM

There is no equivalent waiver from the GEM Rules' requirement for cash flow from

operating activities of at least HK\$30 million over the 2 preceding years. HKEx may however waive the 2-year trading record requirement if satisfied that the directors and senior management have a minimum of 5 years' relevant experience (GEM Rule 18A.04). The cash flow requirement must however be met for the shorter trading record period.

#### Conditions for grant of waivers from the Main Board Financial Requirements/GEM 2-year Trading Record Period

In order to qualify for a waiver from the requirement to meet the Main Board financial requirements or the GEM requirement for a trading record of at least two years, a listing applicant must be able to satisfy the following conditions set out in HKEx Guidance Letter GL22-10.

##### *A. Inability to comply with financial requirements must be due to pre-production activities*

The listing applicant must demonstrate that its inability to comply with the profit, revenue or cash flow tests of Rule 8.05 is due to the fact that throughout the track record period, the listing applicant has been in a pre-production, exploration and/or development phase. The listing applicant should also demonstrate a clear path to commercial production if that has not yet been started.

Waivers will not normally be available to listing applicants whose failure to meet the profit test is attributable to economic performance over the track record period. Waiver applications are unlikely to be considered favourably if –

- the listing applicant is already in production but unable to present a demonstrable path to profitability;
- the listing applicant is unable to meet the profit requirement with all of its mining assets in operation and no development activity on hand; or
- a clear path to commercial production cannot be demonstrated. For example, where the project payback period is subject to high risk in the opinion of the Competent Person; the funding to be raised by the IPO is insufficient to bring the project to the stage of commercial production and further fund raising exercises will be required; or it is uncertain whether the listing applicant will obtain necessary mining permits and licences.

On the other hand, listing applicants that still have assets under development are likely to receive favourable consideration. For example, a waiver application is likely to be considered favourably if the listing applicant is incurring expenditure on further exploration or development activities, which have contributed to its inability to meet the profit requirements.

##### *B. Primary Activity in Rule 18.04 (GEM Rule 18A.04)*

A company relying on Rule 18.04 (GEM Rule 18A.04) must demonstrate that its primary activity is exploration for and/or extraction of Natural Resources. This does not have to be its sole activity but should be its main business activity.

### **3. LISTING DOCUMENT: DISCLOSURE REQUIREMENTS**

#### **3.1. Competent Persons' Reports**

A new applicant Mineral Company must include in its listing document a report on its resources and reserves prepared by a Competent Person. A Competent Person is required to have a minimum of 5 years' relevant experience and must be professionally qualified, and be a member of a relevant professional organisation, in a jurisdiction whose statutory securities regulator has satisfactory arrangements with the SFC for mutual assistance and exchange of information (by way of the IOSCO Multilateral MOU or other bilateral agreement acceptable to HKEx). The Competent Person must take overall responsibility for the report and must be independent of the listing applicant, its directors, senior management and advisers. The independence test is that the Competent Person must:

- i. have no economic or beneficial interest (present or contingent) in any of the assets being reported on;
- ii. not be remunerated with a fee dependent on the findings of the report;
- iii. in the case of an individual, not be an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer; and
- iv. in the case of a firm, not be a group, holding or associated company of the issuer. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the issuer.

The Competent Person's Report must have an effective date less than 6 months before the date of the listing document and the applicant's listing document must include a statement that no material changes have occurred since the date of the Competent Person's Report. If there are material changes, these must be prominently disclosed. The statement of no material changes may be made either by the Competent Person or the listing applicant.

### **3.2. Reporting Standards**

A Competent Person's Report for mineral resources and reserves must be prepared in accordance with:

- the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the **JORC Code**);
- the (Canadian) Standards of Disclosure for Mineral Projects, including Form 43-101F1 (**NI 43-101**); or
- the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007 edition) as amended from time to time (the **SAMREC Code**).

A Competent Person's Report for Petroleum Resources and Reserves must be prepared in accordance with the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007, as amended from time to time (**PRMS**).

HKEx may allow presentation of reserves in accordance with other reporting standards, but will require reconciliation to one of the accepted Reporting Standards.



### **3.3. Valuations**

The Listing Rules do not require a valuation report to be provided at the IPO stage. Valuation reports must however be included in the circular to shareholders where mineral or petroleum assets are acquired as part of a Major Acquisition (or above) (Main Board Rule 18.09(3)/GEM Rule 18A.09(3)).

Where a valuation is prepared it must be prepared by a Competent Evaluator. In addition to meeting the requirements for a Competent Person, a Competent Evaluator must have: (i) at least 10 years' relevant mining or petroleum experience; (ii) at least 5 years' relevant experience in the assessment and/or valuation of mineral or petroleum assets or securities; and (iii) hold all necessary licences.

Valuations must be prepared in accordance with one of the following Codes:

- The Standards and Guidelines for Valuation of Mineral Properties endorsed by the Canadian Institute of Mining, Metallurgy and Petroleum, February 2003 (final version) as amended from time to time (**CIMVAL**);
- The South African Code for the Reporting of Mineral Asset Valuation (2008 edition) as amended from time to time (the **SAMVAL Code**); or
- The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Geoscientists and the Mineral Industry Consultants Association as amended from time to time (the **VALMIN Code**).

### **3.4. Additional Disclosures for Pre-production Stage Companies**

A listing applicant which has not yet commenced production will be required to disclose in its listing document its plans to proceed to production with indicative dates and costs. These plans must be supported by a Scoping Study which is defined as a “preliminary evaluation of a mineral project, including an assessment of the economic viability of mineral resources ... [and which] should include forecast production schedules and cost estimates based on data under which the resources can be identified.” The Scoping Study must be substantiated by the opinion of a Competent Person ((Main Board Rule 18.07/GEM Rule 18A.07).

If exploration or extraction rights have not yet been obtained, any risks relevant to obtaining these rights must be prominently disclosed in the listing document.

If a Mineral Company is involved in the exploration for or extraction of resources, it must prominently disclose to investors that its resources may not ultimately be extracted at a profit.

### **3.5. Additional Disclosures for Production Stage Companies**

Mineral companies that have commenced production must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or petroleum produced (Main Board Rule 18.06/GEM Rule 18A.06). Applicants are required to set out the components of the following cash operating costs separately by category: (i) workforce employment; (ii) consumables; (iii) fuel, electricity, water and other services; (iv) on and off-site administration;

(v) environmental protection and monitoring; (vi) transportation of workforce; (vii) product marketing and transport; (viii) non-income taxes, royalties and other governmental charges; and (ix) contingency allowances.

### **3.6. Requirements for Statements of Resources/Reserves**

#### Presentation of data

Data on resources and/or reserves presented in a listing document, a Competent Person's Report, a Valuation Report or annual report, must be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volume, tonnage and grades.

#### Requirements for statements of mineral resources/reserves

Estimates of mineral reserves are required to be supported at least by a pre-feasibility study and estimates of mineral resources and reserves must be disclosed separately.

Indicated and Measured Resources must only be included in economic analyses if the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for the probabilities of their conversion to mineral reserves. All assumptions must be clearly stated. Valuations for Inferred Resources are not permitted.

The methods used to determine commodity prices used in pre-feasibility studies, feasibility studies and valuations of Indicated Resources, Measured Resources and Reserves must be clearly explained together with all material assumptions and the basis on which those prices represent reasonable views. If a contract for future prices of mineral reserves exists, the contract price must be used.

For forecast valuations of reserves and profit forecasts, sensitivity analyses to higher and lower prices should be supplied and all assumptions must be clearly disclosed.

#### Requirements for statements of petroleum resources/reserves

Appendix 25 to the Main Board Listing Rules (Appendix 18 to the GEM Rules) sets out the information that must be included in a Competent Person's Report for Mineral Companies involved in the exploration for and/or extraction of petroleum resources and reserves (Main Board Rule 18.20/GEM Rule 18A.20).

The information disclosed on petroleum resources and reserves must be disclosed either under PRMS as modified by Chapter 18/Chapter 18A or under any other code which HKEx accepts as providing a comparable standard of disclosure and sufficient assessment of the underlying assets. (Main Board Rule 18.32/ GEM Rule 18A.32)

The following additional requirements apply:

- i. if estimates of reserves are disclosed, the method and reason for choice of estimation must be disclosed (i.e. deterministic or probabilistic methods, as defined in PRMS). Where the probabilistic method is used, the underlying confidence levels applied must be stated;
- ii. if the net present values (**NPVs**) attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they should be presented on a post-tax basis at

varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%;

- iii. Proved Reserves and Proved plus Probable Reserves must be analysed separately and principal assumptions (including prices, costs, exchange rates and effective date) and the basis of the methodology should be clearly stated; and
- iv. if the NPVs attributable to Reserves are disclosed, they must be presented using a forecast price as a base case or using a constant price as a base case. The bases for the forecast case must be disclosed. The constant price is defined as the unweighted arithmetic average of the closing price on the first day of each month within the 12 months before the end of the reporting period, unless prices are defined by contractual arrangements. The basis on which the forecast price is considered reasonable must be disclosed and Mineral Companies must comply with Rule 18.30(5) regarding the provision of sensitivity analyses;
- v. if estimated volumes of Contingent Resources or Prospective Resources are disclosed, relevant risk factors must be clearly stated;
- vi. economic values must not be attached to Possible Reserves, Contingent Resources or Prospective Resources; and
- vii. where an estimate of future net revenue is disclosed, there must be prominent disclosure that the estimated values do not represent fair market value.

### **3.7. Additional Disclosure Requirements**

Other matters which are required to be disclosed in the listing document include the following:

- i. the nature and extent of the company's prospecting, exploration, exploitation, land use and mining rights and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents. Details of material rights to be obtained must also be disclosed;
- ii. a statement of any legal claims or proceedings that may have an influence on the company's rights to explore or mine;
- iii. a statement of specific and general risks which should be prepared having regard to Guidance Note 7 to the Main Board Rules/ Practice Note 4 to the GEM Rules on suggested risk assessment;
- iv. if relevant and material to the Mineral Company's business operations, information on the following:
  - (a) project risks arising from environmental, social, and health and safety issues;
  - (b) any non-governmental organisation impact on sustainability of mineral and/or exploration projects;
  - (c) compliance with host country laws, regulations and permits, and payments

made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;

- (d) sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;
- (e) environmental liabilities of its projects or properties;
- (f) its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;
- (g) its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and
- (h) any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.

### **3.8. Sponsors' Obligations**

The Rules impose an obligation on any sponsor appointed to or by a new applicant Mineral Company to ensure that the Competent Person or Competent Evaluator meets the requirements of Main Board Chapter 18/GEM Chapter 18A.

### **3.9. Disclaimers and Indemnities**

A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which the Competent Person or Competent Evaluator relied upon other experts' opinions. Disclaimers cannot however apply to the report in its entirety.

Such reports must also prominently disclose details of all indemnities provided by the issuer. Indemnities for reliance placed on information provided by the issuer and third party experts are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.

## **4. CONTINUING OBLIGATIONS**

### **4.1. Reporting and Disclosure Requirements**

#### Disclosure in financial reports

Mineral Companies are required to include in their half-yearly and annual reports details of their exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review. If there has been no exploration, development or production activity, that fact must be stated (Main Board Rule 18.14/GEM Rule 18A.14).

It should be noted however that to the extent that there are material changes in funding requirements or exploration activity, companies must update shareholders immediately under the existing general disclosure requirements.

#### Publication of resources and reserves in annual reports

Mineral Companies must provide an annual update of their resources and/or reserves in their annual reports (Main Board Rule 18.16/GEM Rule 18A.16). Such updates must be prepared in accordance with the accepted reporting standard under which they were previously disclosed. The annual updates are not required to be supported by a Competent Person's Report and thus may be prepared by the company's own internal experts. Annual updates may also be achieved by way of a no material change statement which can be prepared by companies' internal management.

Other listed issuers that publicly disclose details of resources and/or reserves are also required to provide annual updates of those resources/reserves in their annual reports (Main Board Rule 18.15/ GEM Rule 18A.15). Such updates must be prepared in accordance with the reporting standard under which they were previously disclosed or one of the accepted reporting standards. They may also be achieved by way of a no material change statement.

#### **4.2. Acquisitions and Disposals of Mineral or Petroleum Assets**

A Mineral Company which proposes to acquire or dispose of assets which are solely or mainly mineral or petroleum assets as part of a major transaction (i.e. 25% or more of existing activities) or above (a **Relevant Notifiable Transaction**) must:

- i. comply with the requirements for notifiable transactions of Main Board Chapter 14/GEM Chapter 19 and, if relevant, the requirements for connected transactions of Main Board Chapter 14A/GEM Chapter 20;
- ii. prepare a Competent Person's Report, which must form part of the circular to shareholders, on the resources and/or reserves being acquired or disposed of as part of the relevant transaction;
- iii. in the case of a major (or above) acquisition, produce a Valuation Report, which must form part of the circular to shareholders, on the mineral or petroleum assets being acquired; and
- iv. comply with the requirements of Main Board Rules 18.05(2) to 18.05(6)/GEM Rules 18A.05(2) to 18A.05(6) in relation to the assets being acquired (Main Board Rule 18.09/GEM Rule 18A.09).

Other listed issuers (i.e. non-Mineral Companies) that propose to acquire assets which are solely or mainly mineral or petroleum assets as part of a Relevant Notifiable Transaction must also comply with the above requirements. On completion of the transaction, the listed issuer will be treated as a Mineral Company, unless HKEx decides otherwise.

It should be noted that HKEx may dispense with the requirement to produce a new Competent Person's Report or a Valuation Report (Main Board Rules 18.05(1), 18.09(2) or 18.09(3) and the equivalent rules in GEM Chapter 18A), if the issuer already has a Competent Person's Report or Valuation Report (or equivalent) that complies with Rules 18.18 to 18.34 (where applicable) and is not more than six months old (Main Board Rule 18.12/GEM Rule 18A.12).

Prior written consent must be obtained from the Competent Person(s) or Competent Evaluator before an issuer may include their reports in the listing document or circular for a Relevant Notifiable Transaction, regardless of whether the person or firm is retained by the listing applicant or issuer (Main Board Rule 18.13/GEM Rule 18A.13).

*The purpose of this Note is to provide a summary only of the requirements for Mineral Companies under Chapter 18 of the Main Board Listing Rules and Chapter 18A of the GEM Rules.*

**December 2018**

## **GLOSSARY OF TERMS**

### **Types of Resources**

#### Petroleum Resources

“**Resource**” with regard to Petroleum, means Contingent Resources and/or Prospective Resources.

“**Contingent Resources**” refers to those quantities of Petroleum estimated, at a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

“**Prospective Resources**” refers to those quantities of Petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

#### Mineral Resources

“**Resource**” with regard to minerals means a concentration or occurrence of mineral of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, grade, geological characteristics and continuity of a mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured Resources, as defined in the JORC Code.

“**Indicated Resource**” means that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.

“**Inferred Resource**” means that part of a mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity.

“**Measured Resource**” is defined as that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.

### **Types of Reserves**

#### Mineral Reserves

“**Reserves**” with regard to minerals are defined as the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Pre-feasibility Study must have been carried out. Mineral Reserves are subdivided, in order of increasing confidence into Probable Reserves and Proved Reserves.

“**Probable Reserves**” are the economically mineable part of an Indicated, and in some circumstances, a Measured Resource.

“**Proved Reserves**” are the economically mineable part of a Measured Resource.

#### Petroleum Reserves

“**Reserves**” with regard to Petroleum are those quantities of Petroleum anticipated to be commercially recoverable by the application of development projects to known accumulations from a given date forward under defined conditions.

“**Possible Reserves**” is defined as those quantities of Petroleum which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves.

“**Probable Reserves**” are those quantities of Petroleum which analysis of geoscience and engineering data suggest are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

“**Proved Reserves**” are those quantities of Petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.



**APPENDIX: PRINCIPAL LISTING ELIGIBILITY REQUIREMENTS**

	<b>Main Board</b>			<b>GEM</b>
<b>Operating History and Management</b>	<p>A Main Board applicant must have a trading record of not less than 3 financial years with:</p> <ul style="list-style-type: none"> <li>i. management continuity for at least the 3 preceding financial years; and</li> <li>ii. ownership continuity and control for at least the most recent audited financial year.</li> </ul> <p>Exception:</p> <p>Under the market capitalisation/ revenue test, the Exchange may accept a shorter trading record period under substantially the same management if the new applicant can demonstrate that:</p> <ul style="list-style-type: none"> <li>a. its directors and management have sufficient and satisfactory experience of at least 3 years in the line of business and industry of the new applicant; and</li> <li>b. management continuity for the most recent audited financial year</li> </ul>			<p>A GEM applicant must have a trading record of at least 2 full financial years with:</p> <ul style="list-style-type: none"> <li>a. substantially the same management for the 2 preceding financial years; and</li> <li>b. continuity of ownership and control for the preceding full financial year.</li> </ul>
<b>Financial Tests</b>	Applicants must meet one of 3 financial tests			A GEM applicant must have :
		<b>1. Profit Test</b>	<b>2. Market Cap/ Revenue Test</b>	

	<b>Main Board</b>				<b>GEM</b>
	<b>Profit</b>	At least HK\$50 million in the last 3 financial years (with profits of at least HK\$20 million recorded in the most recent year, and aggregate profits of at least HK\$30 million recorded in the 2 years before that)	-	-	a. positive cashflow from operating activities of at least HK\$30 million) in aggregate for the 2 preceding financial years; and  b. market cap of at least HK\$150 million at the time of listing.
	<b>Market Cap</b>	At least HK\$500 million at the time of listing	At least HK\$4 billion at the time of listing	HK\$2 billion at the time of listing	
	<b>Revenue</b>	-	At least HK\$500 million for the most recent audited financial year	At least HK\$500 million for the most recent audited financial year	
	<b>Cashflow</b>	-	-	Positive cashflow from operating activities of at least HK\$100 million in aggregate for the 3 preceding financial years	

	<b>Main Board</b>	<b>GEM</b>
<b>Public Float</b>	<p>25% of the issuer's total issued share capital must be held by the public at all times. Where the issuer has more than one class of securities, the total securities of the issuer held by the public at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalisation at the time of listing of at least HK\$125 million (for Main Board issuers) and HK\$45 million (for GEM issuers).</p> <p>The Exchange has a discretion to accept a lower percentage of between 15% and 25% for issuers with an expected market capitalisation at the time of listing of over HK\$10 billion.</p>	
<b>Spread of Shareholders</b>	A minimum of 300 shareholders is required.	There must be at least 100 public shareholders (which can include employee shareholders).
	At the time of listing, not more than 50% of the publicly held securities can be beneficially owned by the 3 largest public shareholders	
<b>Working Capital</b>	The prospectus must include a statement by the directors that the group has sufficient working capital for at least 12 months from the date of the prospectus and if not, must state how it is proposed to provide the additional working capital thought to be necessary.	The prospectus must include a statement by the directors that the group has sufficient working capital for at least 12 months from the date of the prospectus and if not, must state how it is proposed to provide the additional working capital thought to be necessary.

	<b>Main Board</b>	<b>GEM</b>
<b>Incorporation of Issuer</b>	<p>The Main Board and GEM Listing Rules allow the listing of companies incorporated in Hong Kong, China, Bermuda and the Cayman Islands.</p> <p>The Listing Rules also allow companies from other jurisdictions to list provided that: (i) the laws and regulations of their home jurisdiction and their constitutional documents together provide standards of shareholder protection that are at least equivalent to those required under Hong Kong law; and (ii) the statutory securities regulator of their jurisdiction of incorporation and place of central management and control (if different) is either a full signatory of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (“<b>MOU</b>”) or has entered into a bi-lateral agreement with the SFC to provide mutual assistance and exchange of information to enforce and secure compliance with applicable laws and regulations.</p> <p>The Exchange has accepted 25 jurisdictions as acceptable jurisdictions of incorporation - Australia, Brazil, the British Virgin Islands, Canada (Alberta), Canada (British Columbia), Canada (Ontario), Cyprus, England &amp; Wales, France, Germany, Guernsey, India, the Isle of Man, Israel, Italy, Japan, Jersey, Republic of Korea, Labuan, Luxembourg, Russia, Singapore, and the States of California, Delaware and Nevada in the United States.</p> <p>Secondary listings are permitted on the Main Board (but not GEM) if the exchange of the applicant’s primary listing provides standards of shareholder protection equivalent to those provided in Hong Kong.</p>	