



Hong Kong Law

September 2014

STOCK EXCHANGE TO STOP INITIAL 3-DAY CHECK OF IPO APPLICATION PROOFS FROM 1 OCTOBER 2014

The Hong Kong Stock Exchange (the **Exchange**) announced on Friday, 9 September 2014 that it will stop carrying out an Initial 3-Day Check of IPO Application Proofs with effect from 1 October 2014.

This is due apparently to the much lower return rate of Application Proofs in the period from 1 March to 31 July 2014, which was down 18% on the rate for the 1 October 2013 to 28 February 2014 period, despite a 181% increase in the number of listing applications filed. The drop in the number of returned applications, and the fact that there were no returns during August 2014, are taken by the Exchange to indicate that the market is now reasonably familiar with the requirement to ensure Application Proof prospectuses accompanying listing applications are “substantially complete” as required by Main Board Rule 9.03(3) (GEM Rule 12.09(1)).

As a result, from 1 October 2014, Application Proofs will be published on the HKExnews website on submission of listing applications, without any prior review by the Exchange. If the Exchange subsequently determines that the information contained in the Application Proof is not substantially complete, it will return the listing application to the sponsor and publish the fact of the return and the names of the listing applicant and sponsor(s) on the HKExnews website. An 8-week moratorium on re-submission of the listing application will also apply.

A copy of the Exchange’s news release of 5 September 2014 can be viewed at http://www.hkex.com.hk/eng/rulesreg/listrules/listguid/iporq/Documents/gl56-13_mu1409.pdf.

Background

The Initial 3-Day Check was introduced as a transitional arrangement for the period 1 October 2013 to 30 September 2014 on implementation of the new regulations for IPO sponsors contained in new Paragraph 17 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission¹ and complementary amendments to the Listing Rules, which came into effect on 1 October 2013. During the transitional period, the Exchange performed an initial check of the Application Proof of a prospectus against a prescribed checklist set out in Guidance Letter HKEx-GL56-13. If the Application Proof met the requirements of the 3-day Checklist, the listing application was accepted for detailed vetting and the Application Proof was made publicly available on the HKEx news website. If an Application Proof failed to satisfy the requirements of the 3-day Checklist, the listing application was returned to the sponsor and, with effect from 1 April, 2014, the fact of the return and the names of the listing applicant and sponsor were published on the Exchange’s website.

Changes Effective from 1 October 2014

From 1 October 2014, the Application Proof of a prospectus submitted with a listing application will be published on the HKExnews website without its contents being reviewed by the Exchange. If on conducting detailed vetting, the Exchange or SFC subsequently determines that the information contained in an Application Proof is not substantially complete, the listing application will be returned to the sponsor. The names of the

¹ http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER50.pdf

listing applicant and its sponsor(s) and the date of return of the listing application will be published on the Exchange's website, and the defective Application Proof will remain on the Exchange's website until completion of a review of the return decision or the lapse of the period allowed for invoking such review, when it will be removed. The names of the applicant and sponsor(s) and the return date will however remain on the Exchange's website, even if the application is subsequently re-submitted.

The Initial 3-Day Checklist, currently set out in Table B of Guidance Letter HKEx-GL56-13 will be merged with the "Disclosure Requirements for AP-Vetting and AP-Publication" set out in Table A of the same Guidance Letter. The revised, black-lined version of that Guidance Letter is available at http://www.hkex.com.hk/eng/rulesreg/listrules/listguid/iporq/Documents/gl56-13_mu1409.pdf.

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