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Hong Kong Capital Markets Update

Issue 3 – October 2012

In this issue:

Welcome to the October 2012 issue of KPMG China's Hong Kong Capital Markets Update.

In this issue, we again provide an update on the Hong Kong capital markets, including initial public offerings (IPOs) and other fund raising activities, during the third quarter of 2012. We then discuss the consultation conclusions published by the Hong Kong Stock Exchange (the 'Exchange') on environmental, social and governance ('ESG') reporting, a topic that has received much attention recently from the boardrooms of many Hong Kong listed companies. Following that is a summary of the proposals included in the Exchange's consultation paper on another corporate governance hot topic – board diversity, reflecting the growing recognition that diversity in the boardroom can have a positive impact on an organisation's performance.

Another regulatory matter discussed in this issue is the Exchange's updated guidance on the suitability for listing of businesses in the People's Republic of China ('PRC') that are controlled by the listing applicant using contractual arrangements rather than legal ownership (i.e. the so-called variable interest entity, or VIE structure).

We hope you enjoy reading this issue of our Hong Kong Capital Markets Update. If you have any questions on the information in this publication, please contact your usual KPMG contact or any of our Hong Kong Capital Markets professionals listed at the end.

1 Capital Markets Update (Q3 2012)

The Hong Kong IPO market continues to face pressure through the first three quarters of 2012. Global economic concerns, including the European debt crisis, tepid economic recovery in the US and growth slowdown worries in China, as well as the relatively weak aftermarket performance of recent IPOs, continued to test the confidence of both institutional and retail investors for new listings. A total of HK$44.7 billion was raised from new listings in Hong Kong up to the end of September 2012, down from HK$194.4 billion in the same period a year earlier.

The largest Hong Kong IPO in 2012 so far is the HK$14.4 billion H-share listing of the Chinese securities company, Haitong Securities (6837.HK). This is followed by Inner Mongolia Yitai Coal (3948.HK) ('Yitai') and Sunshine Oilsands (2012.HK) with HK$7.0 billion and HK$4.5 billion of funds raised, respectively. These three IPOs, when totalled up, accounted for almost 60% of total IPO funds raised from new listings in Hong Kong up to September 2012.

There were a total of 15 new listings in Hong Kong during the third quarter of 2012 (Q3 2012) raising total IPO funds of HK$13.8 billion, an approximately 30% decrease compared to the same period in 2011 (see Appendix for a list of the IPOs completed during Q3 2012). Of those new listings, only four of them raised capital of over HK$1 billion. Several larger size IPOs that the market had been expecting were reported to have been postponed as a result of uncertain market conditions. Unsatisfactory valuations and the struggle to find sufficient demand for stocks resulted in many planned listings being put on hold. Looking forward to the rest of 2012, volatility in the capital markets is not expected to subside and market sentiment for IPOs in Hong Kong will likely remain cautious.

On the other side of the equity market, there have been some strong activities in block trades by owners of listed companies selling large holdings in their existing shares, and in placements, where listed companies make a follow-on offering of shares. Up to the end of September 2012, a total of HK$97.1 billion (Sep 2011: HK$62.7 billion) has been raised through block trades or placements to institutional investors, partly as a result of the satisfactory performance of the secondary market in 2012, with the Hang Seng Index on 30 September 2012 having increased by approximately 10% compared to the beginning of the year. It is expected that follow-on issues will remain active for the rest of the year.

In addition to block trades and placements, the bond market was also very active in the past quarter. A number of companies have been tapping the market for bond issues, including dim sum bonds (RMB-denominated bonds issued outside the PRC). According to data from Bloomberg, the total issuance of dim sum bonds increased by 13% year-on-year in the first nine months of 2012 to RMB 97.2 billion.

Unlike the trend for the dim sum bond market through the third quarter of last year, however, where investors were much less focused on yields and the credit worthiness of the issuer in favour of the prospects for RMB's appreciation, the issue of credit rating has become increasingly important for companies that issue RMB-denominated bonds in Hong Kong. As the RMB deposit base in Hong Kong continues to grow and the investor base for RMB-denominated bonds becomes more diverse and less speculative on the currency appreciation, it is expected that the demand for dim sum bonds, particularly those that come with a credit rating, will continue to increase in 2013 and beyond.

2 Consultation Conclusions on Environmental, Social and Governance Reporting

The consultation conclusions on the ESG reporting guide (the 'ESG Guide') were published by the Exchange in August 2012. The ESG Guide has been appended as Appendix 27 and Appendix 20 to the Main Board Listing Rules and the GEM Listing Rules respectively, as recommended practices and will apply to issuers for financial years ending after 31 December 2012. Subject to further consultation, the Exchange intends to escalate the reporting obligation for certain recommended disclosures in the ESG Guide to 'comply or explain' by 2015.

A key driver for adopting ESG reporting is the growth of "responsible investments" as more investors include ESG considerations in their valuations and investment strategies. Increasingly, the impact that a company has on society, its workforce, the environment and culture is monitored to assess whether the company has a sustainable operation that takes into account its responsibilities to society in general. For example, a manufacturing plant that generates harmful substances during its manufacturing process is expected to incorporate measures and practices to minimise the harm to its surrounding environment and workforce, and to report on its efforts and achievements in this area.

The ESG Guide sets out four key subject areas for reporting: a) workplace quality, b) environmental protection, c) operating practices and d) community involvement. Issuers are recommended to disclose the key performance indicators ('KPIs') under these areas as they are fundamental to improving performance on ESG practices.

An issuer may include ESG disclosures in its annual report, in which case the ESG reporting period must be the same as that covered in the annual report, or the issuer may choose to make ESG disclosure in a separate report. If a separate ESG report is published, the issuer can report ESG on any consistently adopted period, however, issuers are encouraged to prepare the ESG reporting covering the same period as the financial information included in the annual report to facilitate the readers' understanding of the financial performance and non-financial performance of the issuer as a whole, and draw connections between them.

Please follow the links below for full details of the consultation conclusions and a copy of our separate publication on ESG reporting:

http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201208cc.pdf

http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Pages/HKEX-listing-rules-ESG-reporting-201209.aspx

3 Consultation Paper on Board Diversity

The Exchange published a consultation paper on 7 September 2012 to seek views on its proposed amendments to the Corporate Governance Code and Corporate Governance Report (the Code) to enhance diversity in the boardroom. The consultation paper proposes the introduction of a new code provision (i.e. 'comply or explain') that the board or the nomination committee of an issuer should have a policy on diversity in the boardroom and disclose the policy, or a summary of the policy, in the issuer's corporate governance report. In addition, the issuer should also disclose in the corporate governance report any measurable objectives that it has set for implementing its board diversity policy and the progress on achieving those objectives. The Exchange believes that these disclosures can facilitate greater transparency and accountability that enable investors to make more informed investment and voting decisions.

According to the consultation paper, the boards of issuers currently listed in Hong Kong are generally dominated by male directors with women forming approximately 10% of the board members of all issuers. A significant number of the issuers either have no female directors (40%) or have only one female director (37%) on their boards. On the other hand, the majority of directors fall between the ages of 41 and 60, with the average age being 53 years old. Only 23% of issuers' directors are older than 60 while only 10% are younger than 40. Other common observable traits noted by the Exchange include the appointment of family members and/or senior management to the board of a family-owned business and the appointment of government officials to the boards of government related entities. Consequently, the board members of these issuers tend to act uniformly.

The Exchange also notes that there has been a growing trend for governments and stock exchanges to promote board diversity through legislation, regulation or voluntary efforts. While some countries' laws and regulations focus on gender, for example, Norway requires all listed companies and state-owned enterprises to have at least 40% of the board members to be women, others such as the US, the UK and Singapore have adopted a broader view of the definition of diversity.

The consultation paper proposes that an issuer's board of directors should draw on the experience and knowledge of directors from different backgrounds to avoid 'groupthink' that results when the board members are homogenous. Diversity broadly includes but is not limited to gender, age, ethnicity, professional experience, educational background and connections.

The proposal in the consultation paper does not mandate quantitative thresholds on board diversity such as a fixed percentage of representation by women. The proposal purposely allows flexibility for the issuer's board to determine the diversity relevant in its circumstances by adding 'diversity of perspectives' in the Code's principle for board composition.

The Exchange acknowledges that introducing diversity in the boardroom is not without cost or risk. The diversity of perspectives can result in more conflicts, less group cohesiveness and limited communication between subgroups and, as a result, this could actually impede board effectiveness. Further, the proposals suggest that the issuer should include measurable objectives for implementing the policy and disclose the progress made on achieving those objectives in the corporate governance report. The pressure to satisfy those objectives could potentially lead to less suitable candidates being chosen and board effectiveness could suffer.

The Exchange believes, however, that on balance, board diversity can be beneficial to the issuer when properly implemented. In developing the policy on diversity, the issuer should consider the relevance and objectives of such a policy to avoid having a trophy policy that neither enhances board diversity nor improves board effectiveness.

We support the Exchange's objective of enhancing board diversity and the proposals in the consultation paper, which will include a note to the new code provision to clarify that diversity is intended to be defined broadly and that diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. Each issuer should take into account factors based on its business model and needs, form its own policy, and disclose the rationale for the factors used.

The public comment period will close on 9 November 2012.

http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201209.pdf

4 Listing of Restricted PRC Business Using Structured Contracts

In August 2012, the Exchange updated Listing Decision ('LD') 43-3 (which was initially published in 2005 and subsequently updated in November 2011) addressing the suitability for listing when an applicant controls (and consolidates for financial reporting purposes) companies operating in the PRC using a series of contractual arrangements ('Structured Contracts') despite the applicant not having the legal or registered controlling ownership interest in the PRC companies.

Structured Contracts are typically seen in industry sectors subject to local legal and regulatory restrictions on foreign ownership ('Restricted PRC Business'), such as internet, telecommunications and mining of certain types of natural resources, and are designed to confer upon the listing applicant that is incorporated outside the PRC: (i) the right to enjoy all the economic benefits, management control, control over voting, operation and management of the Restricted PRC Business; (ii) the right to all the intellectual properties through assignments from the Restricted PRC Business; (iii) the right to acquire, if and when permitted by PRC law, the equity interests in and/or assets of the Restricted PRC Business for a nominal price or a pre-paid amount; and (iv) a first priority security interest in the shares owned by the registered owners of the Restricted PRC Business (the 'Registered Owners').

Standards of review and suitability for listing

In its initial release of the 2005 Listing Decision, the Exchange indicated that in its review of a listing application involving the use of Structured Contracts, the Exchange would adopt the following standards of review:

- The Listing Rules and Listing Division policies would be strictly construed.

- The Structured Contracts should be narrowly tailored to achieve the business purpose of the listing applicant and minimise potential for conflict with relevant PRC laws and regulations. The listing applicant, wherever possible, should demonstrate genuine efforts to comply with the applicable laws and regulations.

- The Exchange would undertake a broad review of all relevant facts and circumstances concerning the listing applicant, including a review of its legal and compliance history, management systems and corporate governance practices, the record of the listing applicant in protecting shareholder interests and financial resources to ensure compliance with applicable legal and regulatory requirements.

- Subject to availability and practicability, appropriate regulatory assurance from the relevant authorities or a PRC legal opinion should be obtained. In the absence of such regulatory assurance, the applicant's legal counsel would be required to make a statement to the effect that in its legal opinion all possible actions or steps taken to enable it to reach its legal conclusions had been taken.

In order for the applicant to be considered suitable for listing, the sponsor and the directors of the applicant would need to demonstrate:

(i) the legality of the Structured Contracts by obtaining the relevant legal opinion or regulatory approval

(ii) the listing applicant's ability to ensure the sound and proper operation of the Structured Contracts by operation of contractual terms to protect the interests of the applicant's shareholders over the assets and shares of the Restricted PRC Business.

The Exchange also expected that the listing application would be supported by full disclosures in the prospectus of the Structured Contracts and submissions of the PRC legal opinion on the legality of the contractual arrangements under PRC laws, rules and regulations.

As part of the November 2011 update to LD 43-3, the Exchange set out certain additional requirements for the applicant using Structured Contracts and the sponsor to:

- provide the reasons for the use of the Structured Contracts
- unwind the Structured Contracts as soon as the law allows the business to operate without them
- ensure that the Structured Contracts:

  (i) include a power of attorney by which the Registered Owners grant to the listing applicant's directors and their successors the power to exercise all rights of the Registered Owners

  (ii) contain dispute resolution clauses that (a) provide for arbitration and that arbitrators may award remedies over the shares or land assets of the Restricted PRC Business, injunctive relief or order the winding-up of the Restricted PRC Business, and (b) provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases

  (iii) encompass dealing with the assets of the Restricted PRC Business (i.e. not just only the right to manage the business and the right to revenue) to ensure that the liquidator can seize the assets in a winding up situation for the benefit of the applicant's shareholders or creditors.

New prospectus disclosure requirements added in August 2012

In the August 2012 update, the Exchange further requires a listing applicant to disclose in the prospectus the following information concerning the Structured Contracts:

(A) Arrangements with the Registered Owners

- Detailed description about the Registered Owners and confirmation that appropriate arrangements have been made to protect the applicant's interests in the event of death, bankruptcy or divorce of the Registered Owners.
- The extent to which the applicant has arrangements in place to address the potential conflicts of interest between the applicant and the Registered Owners, particularly in cases where these individuals are officers and directors of the applicant.

- A corporate structure table in the 'Summary' section of the prospectus to illustrate the Structured Contracts and to facilitate the investors' review and understanding of the arrangements.

(B) Enforceability and legality of the Structured Contracts

- The bases of the directors to believe that each of the Structured Contracts conferring significant control and economic benefits from the Restricted PRC Business to the applicant is enforceable under the PRC and local laws.

- Discussion on whether the applicant has, to date, encountered any interference or encumbrance from any PRC governing bodies in operating the Restricted PRC Business under the Structured Contracts.

(C) Risks associated with the use of Structured Contracts

- The economic risks the applicant bears as the primary beneficiary of the Restricted PRC Business, such as the way the applicant shares the financial losses incurred by the Restricted PRC Business, the requirement for the applicant to provide financial support, and any other events or circumstances that could expose the applicant to losses.

- The limitations in exercising the option to acquire ownership in the Restricted PRC Business, including a separate risk factor explaining the limitations and clarifying that ownership transfer may be subject to substantial costs.

- Inclusion of at least the risk factors discussing (i) the PRC government may determine that the Structured Contracts do not comply with applicable regulations; (ii) the Structured Contracts may not provide control as effective as direct ownership; (iii) the Registered Owners may have potential conflicts of interests with the applicant; and (iv) the Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed.

Structured Contracts are considered by the Exchange as 'material contracts', which are to be disclosed in the 'Statutory and General Information' section in the prospectus and made available on the applicant's website.

http://www.hkex.com.hk/eng/rulesreg/listrules/listdec/Documents/LD43-3.pdf

5 Other Market and Regulatory Matters

Consultation Papers

The Exchange published two other consultation papers during the third quarter of 2012 relating to the disclosure of price sensitive information ('PSI'):

- Trading halts – July 2012

  This consultation paper proposed a model for publication of PSI announcements during trading hours by implementing a short trading halt. Currently, trading of shares must be suspended until the next trading session following the publication of an announcement. This trading suspension, therefore, lasts for at least half a day. The proposed model will allow publication of PSI announcements during trading hours and reduce the duration of a trading suspension to avoid putting Hong Kong investors at a disadvantage in terms of information access and trading opportunity, especially for shares listed on more than one stock exchange. The proposed duration of 30 minutes of trading halt applies to all PSI announcements to be released during trading hours. The current practice of releasing non-PSI announcements outside trading hours will remain unchanged. The comment period for this consultation ended on 8 October 2012.

  http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201207.pdf

- Rule changes consequential on the statutory backing of continuing obligation for listing companies to disclose inside information – August 2012

  The Securities and Futures (Amendment) Ordinance 2012 (SFO) has implemented a statutory obligation on listed issuers to disclose PSI (termed 'inside information' under the SFO). The new legislation will take effect from 1 January 2013. This consultation paper proposes changes to the Exchange's Listing Rules to complement the introduction of the statutory disclosure regime and to minimise duplication and overlap with the new law. The comment period ended on 3 October 2012.

  http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201208.pdf

Guidance Letters

During the third quarter of 2012, the Exchange published various guidance letters on IPO applications and disclosures in listing documents. Below are some highlights of these developments.

- In August, the Exchange updated Guidance Letter 6-09 on its administrative practices on accepting early filings of listing applications to facilitate IPO filings at different times of the year. Compared to the previous version of the Guidance Letter, which was last revised in November 2011, the Exchange has included several updates related to IPO applications that are filed (i) within 45 days after the end of the track record period ('TRP'); (ii) within 230 days of the applicant's latest audited financial statements; and (iii) after 230 days of the applicant's latest audited financial statements. The minimum financial information to be included in the first draft listing document (i.e. 'Form A-1') for Main Board listing applicants under the revised administrative practices is summarised as follows:

Timing of first draft Form A-1 submission	Minimum financial information to be included
Within 45 days after the end of the TRP	• Audited figures for two financial years before the most recent audited balance sheet date and related management discussions • Stub period figures as of a date within 230 days of the filing of Form A-1 in audited or advanced draft form ***Example**: An applicant using a three-year trading record from 1 January 2010 to 31 December 2012 to satisfy the Rule 8.05(1) requirement files the Form A-1 on 1 February 2013 and includes* *(i) audited financial statements for the two years ended 31 December 2010 and 2011 with related management discussions* *(ii) stub period figures (audited or advance draft form) as of and for the nine months ended 30 September 2012.*
Within 230 days of applicant's latest audited financial statements *(refer to the audited financial statements covering the last of the three financial years of trading record as required under Rule 8.05(1))*	• Audited figures for three financial years preceding the most recent audited balance sheet date and related management discussions provided that the latest audited financial statements are of a date within 230 days of the Form A-1 filing
After 230 days of applicant's latest audited financial statements	• Audited figures for the three financial years preceding the most recent audited balance sheet date and related management discussions • Stub period figures in audited or advanced draft form that are not more than six months old at the time of Form A1 filing and the prior year stub period comparative figures and related management discussions.

In each of the situations above, the listing applicant must also include with its Form A-1 a sponsor's confirmation that it is satisfied that: (i) the applicant and sponsor have made a demonstrable effort in good faith to produce an advanced draft listing document; (ii) the Exchange will have enough information to begin substantive review of the listing application; and (iii) the sponsor considers it to be beyond reasonable doubt that the listing applicant will satisfy Rule 8.05 or other financial standards requirements following its due diligence review under Chapter 3A and Practice Note 21 of the Listing Rules.

- In Guidance Letter 39-12 (July 2012), the Exchange describes the market practice of pre-release of Hong Kong depositary receipts ('HDR') and the reverse process, pre-cancellation. The Exchange also explains its rationale for allowing such practices and the regulatory basis associated with the operation of a HDR pre-release and pre-cancellation transaction. Pre-release and pre-cancellation are a means of bridging settlement timing differences. Pre-release, which is the early creation and release of HDRs by the depositary before it has taken delivery of the underlying shares, can improve the price formation process and help improve liquidity. Pre-cancellation, which can facilitate timely settlement of the underlying shares in the issuer's domestic market, is the exact opposite transaction of pre-release, i.e. early cancellation of HDRs by the depositary and release of the underlying shares before the HDRs have been submitted to the depositary.

- The Exchange sets out the principles for the listing of business trusts and stapled securities in Hong Kong and the key issues that a listing applicant should address in Guidance Letter 40-12 (August 2012). The guidance does not apply to real estate investment trusts. A business trust is established and governed by a trust deed and is operated/managed by a trustee-manager who also holds the legal title to the assets for the benefit of the business trust's unitholders. Stapling is an arrangement under which different securities, such as units of a business trust and share of a holding company/ operating company, are 'stapled' and listed on the basis that they are legally bound together and cannot be transferred or traded separately.

  The key concern for the listing of business trusts, which is a relatively novel concept in Hong Kong, is that business trusts, unlike companies, are not subject to the shareholder protection provisions of the Companies Ordinance, the SFO and other laws and regulations applicable to listed issuers. Also, the Listing Rules currently do not have any express provisions that deal with the listing of business trusts. In reviewing the application for a business trust listing, the Exchange's overriding principle is to ensure that holders of units in business trusts are subject to investor protection standards comparable to those required of Hong Kong corporate issuers. Hence, unitholders must be given the same level of protection as shareholders and key relevant provisions of the SFO must apply. The Exchange will invoke Rule 2.04 to impose additional requirements and modifications to the Listing Rules on a case-by-case basis to address the issues arising from the listing of business trusts and stapled securities.

- In Guidance Letter 41-12 (August 2012), the Exchange provides guidance on the disclosure in an IPO prospectus of material changes in financial, operational and/or a trading position after the trading record period. In particular, the sponsors and listing applicants should be responsible for deciding whether a piece of information constitutes a material adverse change having regard to the specific facts and circumstances of each listing application.

In making this assessment, sponsors and listing applicants should consider, as a minimum, whether there is any adverse change which has taken place or is expected to take place in the near future, in the technological, market, economic, legal or operating environment in which the applicant operates. The applicant is expected to make qualitative and quantitative disclosures and update key operating data in the prospectus. The guidance letter also sets out a list of non-exhaustive examples of adverse changes, which will require disclosure if material.

- In Guidance Letter 42-12 (August 2012), the Exchange describes the circumstances under which a waiver from Rule 9.09(b) may be granted in the case of a new applicant. Rule 9.09(b) prohibits dealing in shares by any connected persons such as directors and substantial shareholders of the listing applicant from four clear days before the expected hearing date until listing is granted. The guidance letter specifies five circumstances (such as when the listing applicant is an overseas listed company) under which the Exchange may grant a Rule 9.09(b) waiver. Each waiver application will be considered on a case-by-case basis. The listing applicant must also ensure that any waived share dealing complies with the Interim Guidance on Pre-IPO Investments in Guidance Letter 29-12.

Listing Decisions

- In LD 33-12 (July 2012), the Exchange sets out the disclosure requirements for listing applicants engaged in a pawn loan business in the PRC. Having regard to the characteristics of the pawn loan industry and the legal restrictions in the PRC, listing applicants are required to make disclosures in the prospectus to ensure investors have sufficient information to arrive at an informed investment decision. Further, the use of various contract-based arrangements is typical in the pawn loan industry in the PRC. In this case, the Exchange adopts the standard of review and guidance contained in LD 43-3 (see above section entitled 'Listing of Restricted PRC Business Using Structured Contracts'). While this Listing Decision refers to a pawn loan business in the PRC, the guidance is also applicable for a pawn loan business in other jurisdictions seeking to list in Hong Kong.

- In LD 34-12 (July 2012), the Exchange determines that the conduct of the two directors of the predecessor company of a proposed listing group (which held the business of the proposed listing group prior to its disposal to the listing applicant) had resulted in substantial losses to the predecessor company and that the two directors had not demonstrated the standard of competence expected of those of a listed issuer under Rule 3.09. The Exchange further determined that the listing applicant had not met the standard required in Rule 8.15 for persons proposed to hold office as directors of issuer to meet the requirements of Rule 3.09 to the satisfaction of the Exchange. The Exchange also decided that the listing applicant should implement a robust monitoring of transactions before it would consider any further review of the listing application.

- In LD35-12 (July 2012), the Exchange noted that the proposed transactions by an issuer whereby the issuer would dispose of most of its existing businesses and assets were in effect a privatisation of the issuer's existing business but structured with the intention to allow the issuer to maintain its listing status. The Exchange determined that the issuer, upon completion of the proposed transaction, would not have a sufficient level of operations or assets of sufficient value to warrant its continued listing under Rule 13.24. Hence, the Exchange noted that should the issuer proceed with the proposed transactions, it would fail to comply with Rule 13.24, which would result in suspension and potential delisting of the issuer upon completion of the transactions.

- The Exchange accepted the Republic of South Korea as an acceptable jurisdiction of an issuer's incorporation in LD 36-12 (August 2012) provided that certain conditions set forth in the Listing Decision are met including the need for the listing applicant to make certain revisions to the constitutive documents or adopt alternative shareholder protective measures to ensure compliance with the Joint Policy Statement regarding Listing of Overseas Companies of 7 March 2007.

- In LD 37-12 (September 2012), the Exchange considered a listing applicant unsuitable for listing due to concerns over sustainability of the business model resulting from the deteriorating financial performance during the track record/forecast periods and uncertain business prospects in view of local government restrictions and expansion of new product lines. The Exchange determined that these concerns could not be appropriately addressed by way of disclosure and as such rejected the listing application.

Appendix: Third Quarter 2012 IPO Activities

A summary of the companies listed in Hong Kong during the third quarter of 2012 is listed in the tables below.

Main Board

Stock code	Company name at time of listing	Date of listing (dd/mm/yy)	Funds raised (HK$)	IPO subscription price (HK$)
3666	Xiao Nan Guo Restaurants Holdings Ltd	04/07/12	$511,875,000	1.5000
2068	China Aluminium International Engineering Corporation Ltd	06/07/12	$1,427,218,800	3.9300
1237	Merry Garden Holdings Ltd	06/07/12	$180,000,000	1.0000
3939	Wanguo International Mining Group Ltd	10/07/12	$298,500,000	1.9900
3633	Zhongyu Gas Holdings Ltd	11/07/12	Transferred from GEM	Transferred from GEM
3669	China Yongda Automobiles Services Holdings Ltd	12/07/12	$1,673,360,700	6.6000
3948	Inner Mongolia Yitai Coal Co., Ltd	12/07/12	$7,009,150,500	43.0000
1332	Qualipak International Holdings Ltd	12/07/12	$22,857,838	1.5900
1616	Silverman Holdings Ltd	12/07/12	$176,638,000	1.1000
1190	Bolina Holding Co., Ltd	13/07/12	$483,105,000	2.1500
1699	China Putian Food Holding Ltd	13/07/12	$140,000,000	0.7000
1335	Sheen Tai Holdings Group Company Ltd	13/07/12	$138,000,000	1.2000
1103	Shanghai Tonva Petrochemical Co., Ltd	16/07/12	Transferred from GEM	Transferred from GEM
6889	Dynam Japan Holdings Co., Ltd	06/08/12	$1,568,000,000	14.0000
Total funds raised in Q3 2012			**$13,628,705,838**	

GEM

Stock code	Company name at time of listing	Date of listing (dd/mm/yy)	Funds raised (HK$)	IPO subscription price (HK$)
8261	Haitian Hydropower International Ltd	06/07/12	$75,000,000	0.3000
8146	Mastercraft International Holdings Ltd	20/07/12	$42,000,000	0.3500
8168	UKF (Holdings) Ltd	24/08/12	$62,400,000	0.2600
Total funds raised in Q3 2012			**$179,400,000**	
Total funds raised in Hong Kong in Q3 2012			**$13,808,105,838**	

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