



HKE_x
香港交易所

2010 Going East – IPO in Hong Kong

Hong Kong: An International Stock Exchange for CIS Companies

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Hong Kong – part of China but

“One Country, Two Systems”

**has allowed Hong Kong to maintain its unique character,
maintaining our established Common Law legal system**

- ***“Free Trade and Free Market”***
- **Independence of the judiciary**
- **No restrictions on capital flow, no trade barriers**
- **Well-established rule of law and regulatory structure**
- **Low and simple taxes (no VAT)**
- **Pool of skilled workforce and professionals**
- **World class infrastructure**
- **International transportation hub**
- **Well trusted by international investors**

The Moscow air transportation hub and Hong Kong

Effective 1 Jul 2009 – Reciprocal 14-days visa-free travel for Russian passport holders to Hong Kong and for China Hong Kong passport holders to Russia (NOT for Mainland China passport holders)



- **Currently – Aeroflot 5 times a week**
- **Hong Kong Airlines**
 - 4 times a week by end June 2010
- **Cathay Pacific**
 - 3 times a week by mid July 2010

July 2010 – Daily direct flight from Hong Kong to Moscow

Hong Kong is well recognized as a
competitive international financial centre

Hong Kong

Freest economy in the world
for 16 consecutive years

... 2010 Index of Economic Freedom
The Heritage Foundation

No.1 in Asia &
No.3 in the world

The City of London Corporation
Global Financial Centres Index

No.1 in economic freedom
in the world

Cato Institute &
Fraser Institute in Canada



Leading global stock exchange with strong fund raising capability

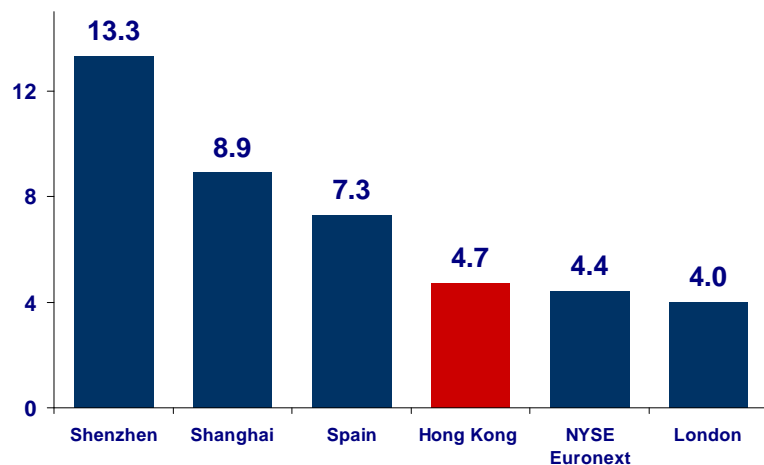
2009

**HKEx's Markets
Among World Stock Exchanges**

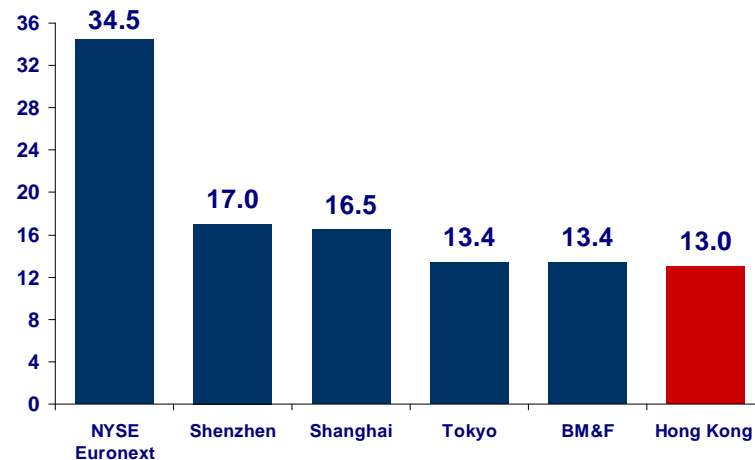
- 1st in IPO fund raise
- 4th in capital fund raise
- 7th largest stock exchange by market cap
- 1st in derivative warrant turnover
- 1st in stock options market

YTD April 2010, Hong Kong ranked 4th globally in IPO fund raise and 6th in total fund raise

Global ranking in IPO fund raise (USD bn)

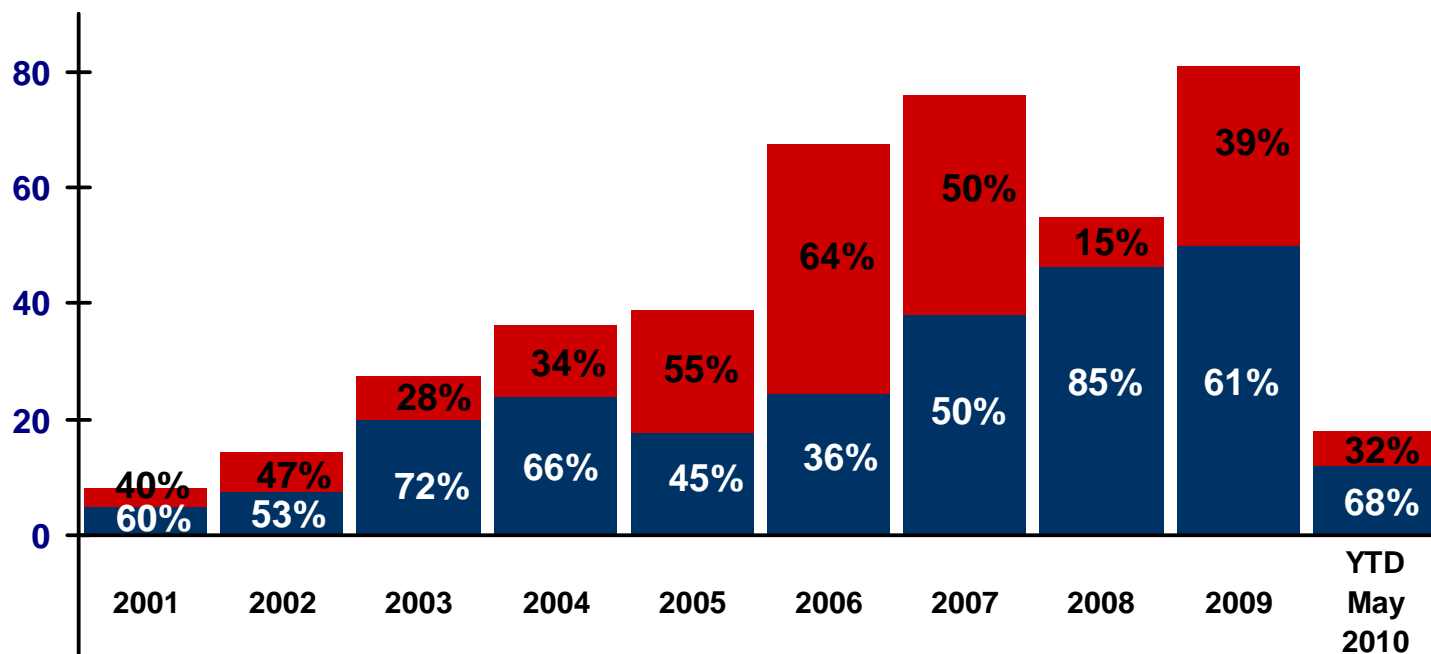


Global ranking in total fund raise (USD bn)



Strong IPO and post IPO fund raising capability

USD bn



Total fund raised	8	14	28	36	39	67	76	55	81	18
■ IPO	3	7	8	13	21	43	38	9	31	6
■ Post IPO	5	8	20	24	18	25	38	46	50	12

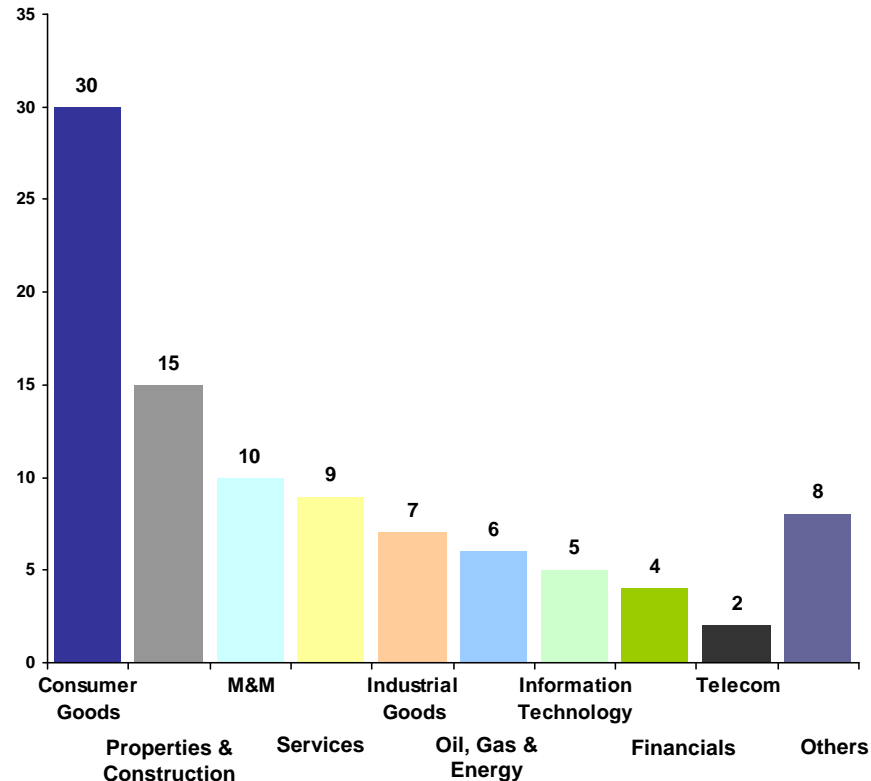
Average P/E and number of IPOs by industry

Average P/E of Various Industries Main Board

(31 May 2010)

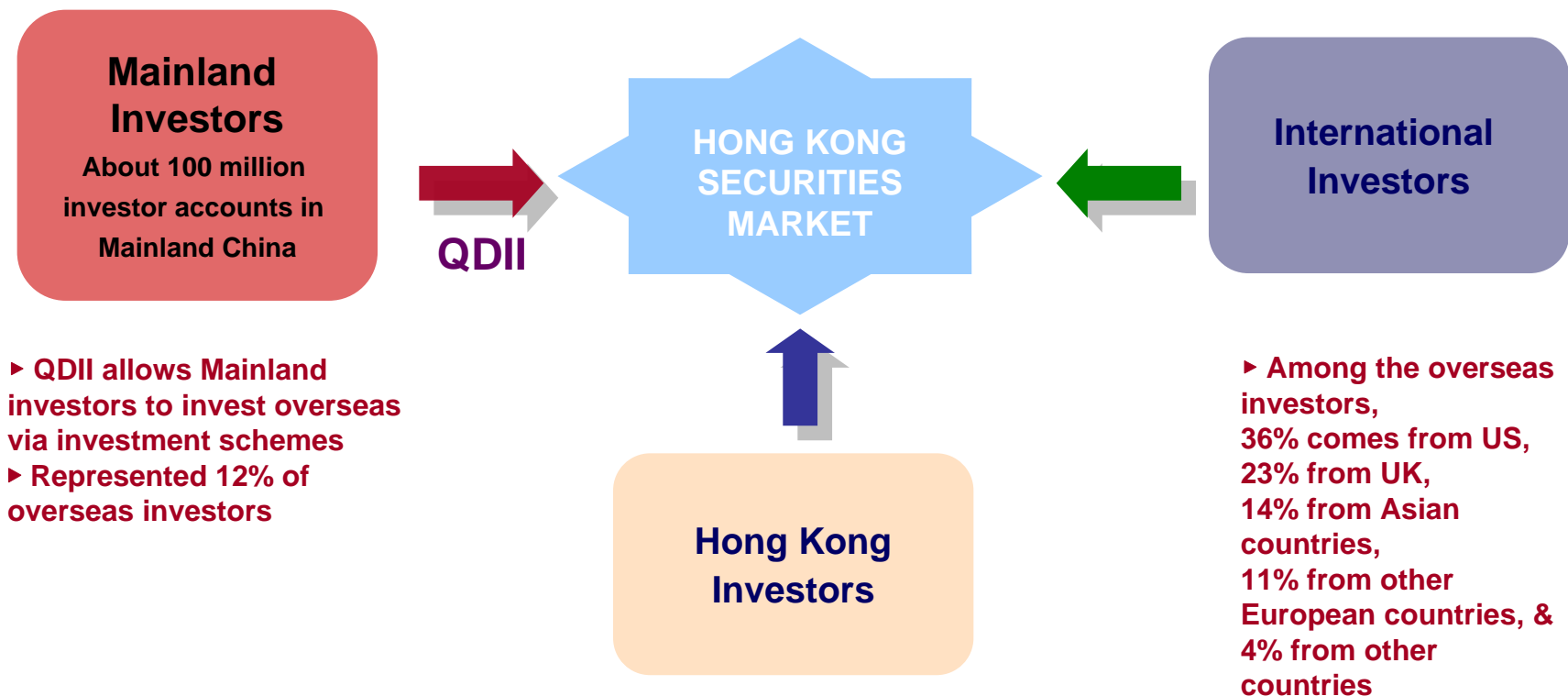
Industry	Average P/E (times)
Information Technology	32.0
Metals & Mining	24.1
Consumer Goods	19.1
Industrial Goods	17.5
Oil, Gas & Energy	18.8
Conglomerates	10
Financials	15.4
Properties & Construction	10.6
Services	18.5
Telecom	12.1
Overall	14.7

No. of IPOs by Industry 2009 - May 2010

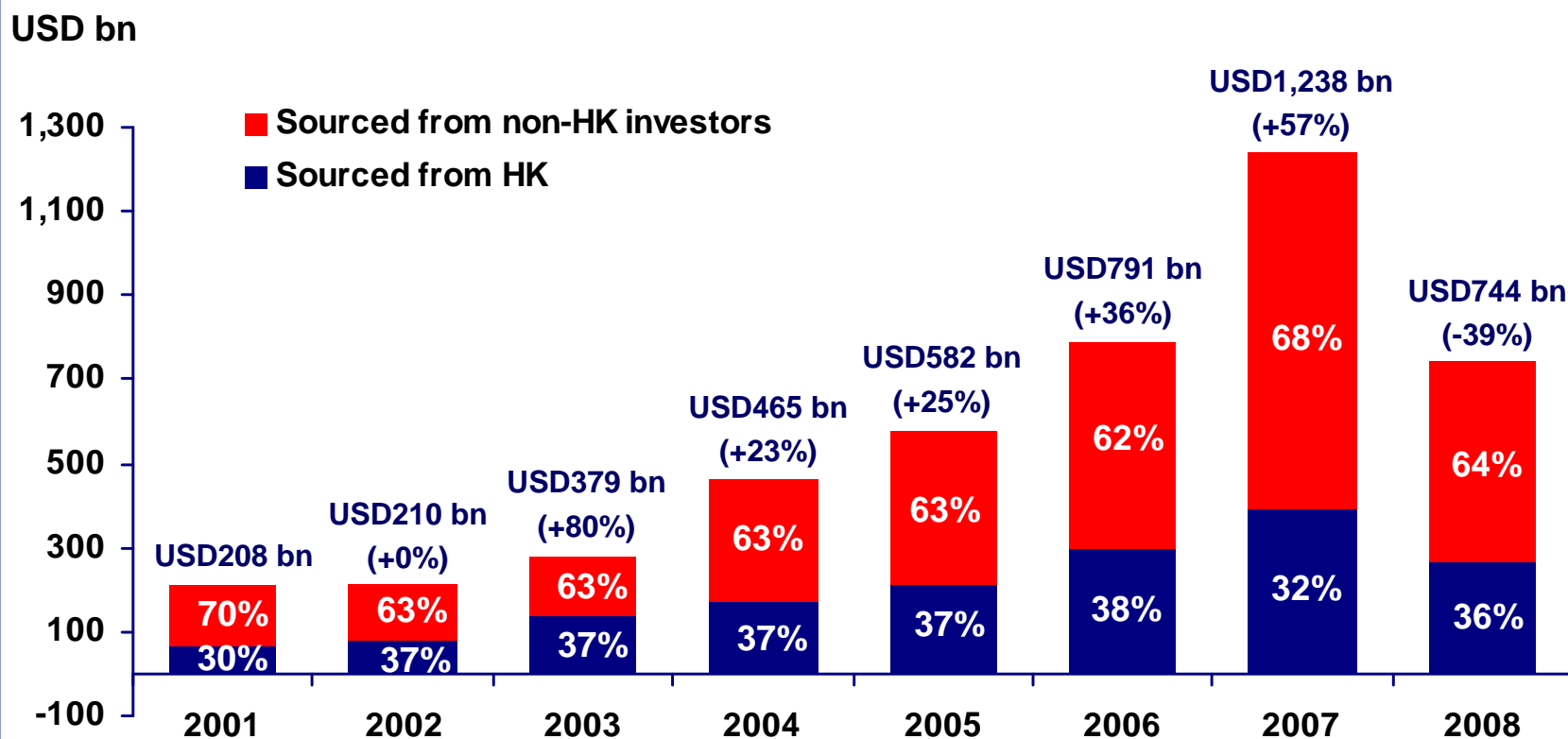


Quality market attracts order flow

Diversified investor base
42% from investors all over the world
62% from institutional investors



Overseas fund managed in Hong Kong is set to grow further... partly thanks to QDII



International listings – a new growth driver

Key Drivers

Asia / China Nexus

Becoming a Global Natural Resources Listing Centre

Emerging Industries:
Gaming / Alternative Energy

Strong Investor Appetite

Transparent and efficient listing regime

Examples (IPO fund raise)



US\$2.2bil
Russia



US\$393mil
Canada



US\$2.5bil
US



US\$1.9bil
US



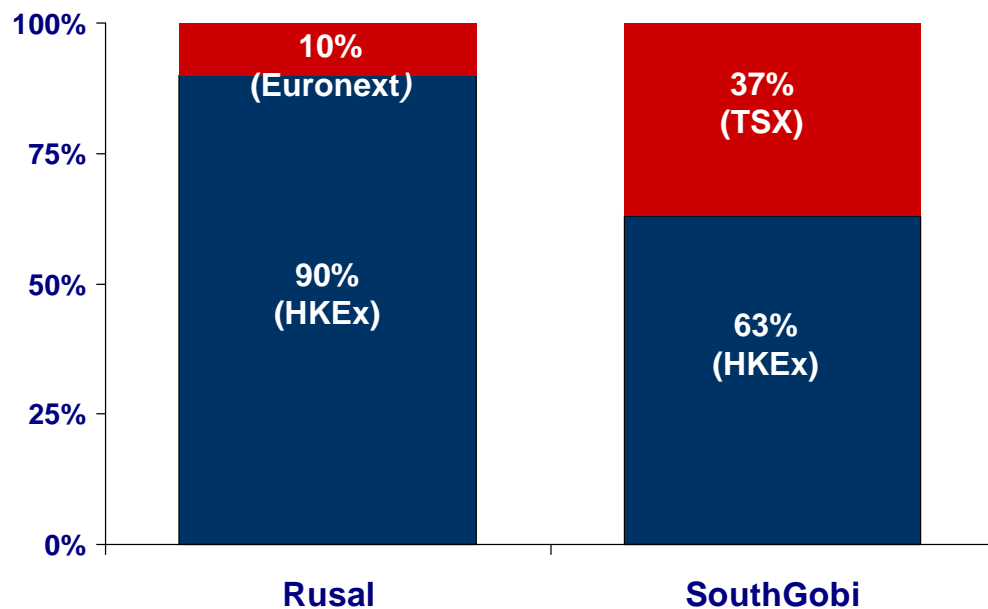
US\$706 mil
France



PRUDENTIAL
Listing by
introduction
UK

Dually-listed companies: majority of turnover is in Hong Kong

Distribution of Average Daily Turnover in 2010*



Rusal in Hong Kong

Market cap: USD14,614m

IPO fund raised: USD2,230m

Average daily turnover* : USD11.9m

SouthGobi in Hong Kong

Market cap: USD2,289m

IPO fund raised : USD393m

Average daily turnover* : USD3.5m

Remarks:

Average daily turnover on TSX in 2009, prior to listing in Hong Kong: **USD273,000**

After listing in Hong Kong, average daily turnover on TSX in 2010*: **increased to USD2m**

Source: Bloomberg
* : up to 31 May 2010

IPO fund raise of international companies since 2007

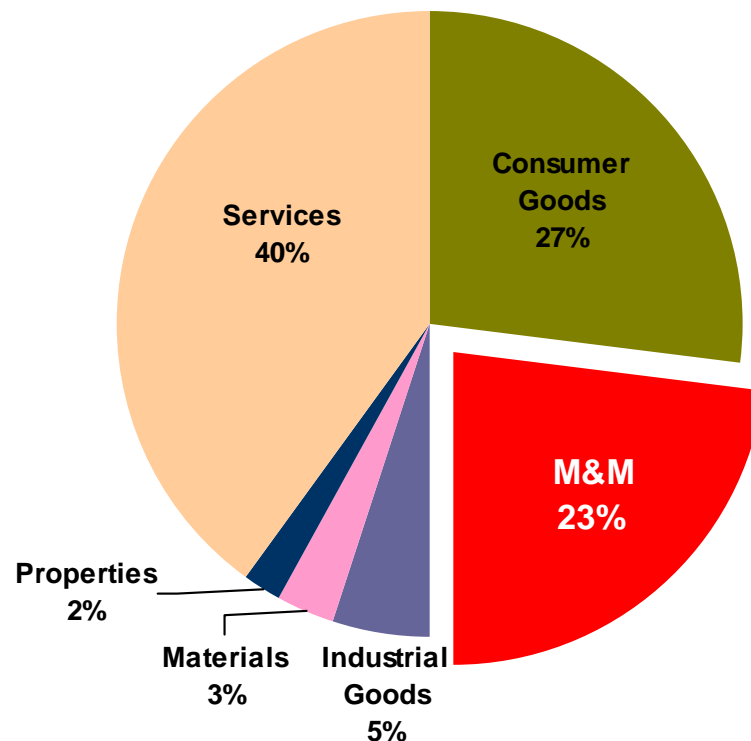
Some recent IPOs (international companies)

Company	Date	IPO Fund Raised (USD m)
Sands China	Nov 09	2,489
Rusal	Jan 10	2,230
Wynn Macau	Oct 09	1,858
Want Want	Mar 08	1,045
L'Occitane	May 10	783
Uni-President	Dec 07	516

Current IPO pipeline

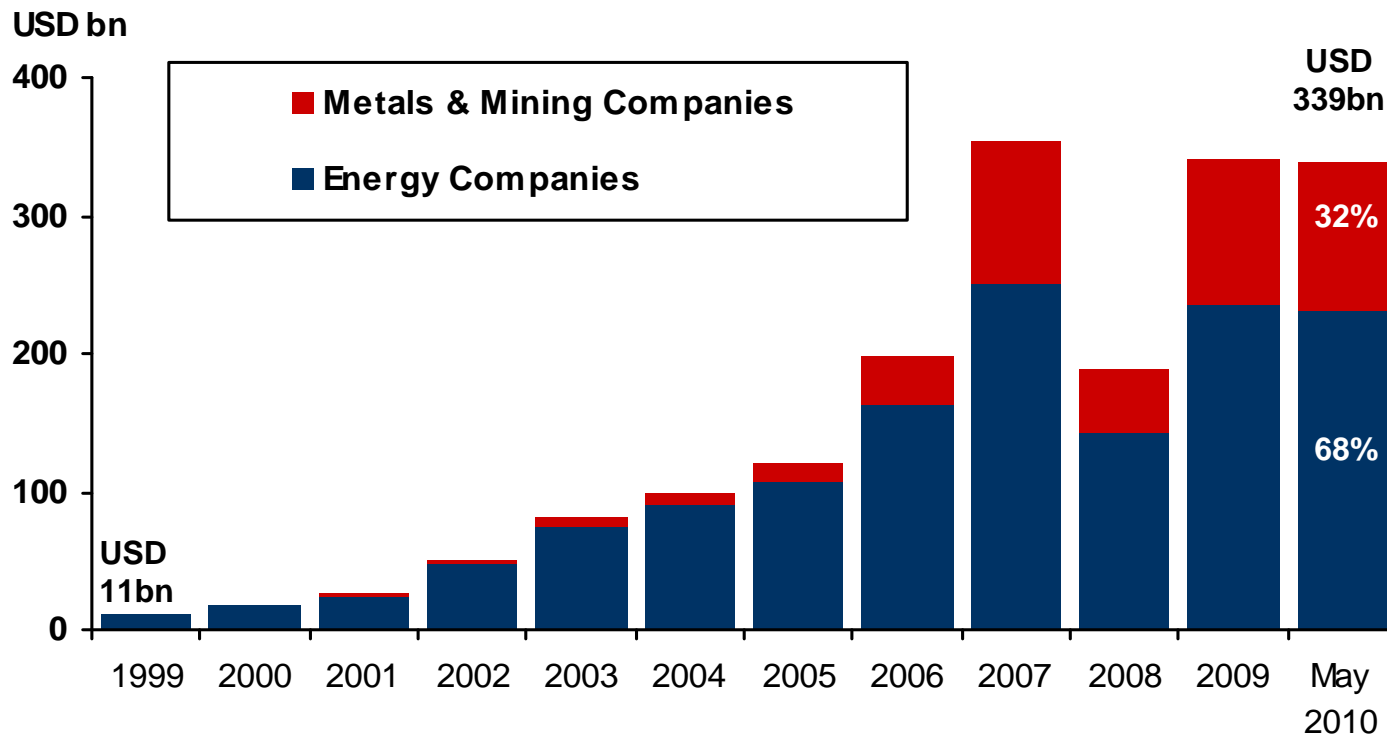
YTD May 2010	Applications Accepted	Approved	Under Processing
Main Board	79	53	45
GEM	9	1	10
Total	88	54	55

IPO fund raise by Industries (international companies) 2007- May 2010



Growth of natural resources sector in Hong Kong

Market cap of resources companies listed on HKEx



- **Market capitalization of natural resources companies grew about 30 times for the past decade**

Natural resources companies have formed an important industry cluster in Hong Kong

Natural Resources companies	No. of companies	Market Cap (USD bn)	Average P/E Ratio (times)	Average Daily Turnover YTD May 2010 (USD m)
Metal & Mining	112	109	24.1	639
Oil, Gas & Energy	60	230	18.8	713
Total	172	339	21.7	1,352
% of total market	12.9%	15.8%		15.9%

Basic listing requirements of Main Board

Financial Requirements

To fulfill any **one** of the following tests:

1) Profits Test

- Net profit of latest year \geq USD2.6m
- Net profit of two preceding years \geq USD3.8m (in aggregate)
- Market cap \geq USD25.6m

2) Market Cap / Revenue Test

- Market Cap \geq USD513m, and
- Revenue of the most recent audited year \geq USD64m

3) Market Cap / Revenue / Cashflow Test

- Market Cap \geq USD256m,
- Revenue of most recent audited financial year \geq USD64m
- Aggregate positive cash flow for 3 preceding financial years \geq USD13m

Control and Management

- Ownership continuity and control for at least the most recent financial year
- Management continuity for at least 3 years

Public Float

- Minimum of 25%
- If market cap \geq USD1,282m, public float can be lowered to 15%
- Minimum of 300 shareholders

Others

- Must appoint a sponsor
- Issuance for annual and interim results
- At least 3 independent non-executive directors

New listing rules for Mineral Companies

Consultation Conclusions Published on 20 May 2010 and New Listing Rules for Mineral Companies Came Into Effect on 3 Jun 2010

Requirements for new listing:

- Have discovered at least a portfolio of **Indicated Resources or Contingent Resources** (in the case of petroleum companies) of meaningful and sufficient substance identifiable under an accepted Reporting Standard and substantiated in a Competent Person's Report.
- Mineral Company not yet begun production must disclose its **plans to proceed to production** with indicative dates and costs supported by at least a Scoping Study and substantiated by the opinion of a Competent Person.
- **Sufficient working capital** for 125% of present requirements, for at least 12 months from the date of the listing document.
- Company seeking waiver from the financial standards requirements in rule 8.05 must establish that its directors and senior managers, taken together, have **sufficient experience** relevant to the exploration and/or extraction activity that the Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience;
- Include reports on **Reserves and Resources prepared by Competent Persons** in their listing documents. Competent Persons must be independent of issuers.

Reporting standards:

- Competent Persons' Reports must conform to the JORC Code, NI 43-101, or the SAMREC Code. Information presented under other reporting standards must provide reconciliation to one of these codes. Valuation Reports must conform to the VALMIN Code, CIMVAL or the SAMVALCode.

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Continuing Obligations:

- Listed Mineral Company must include a Competent Person's Report in the circular sent to shareholders in major (or above) acquisition or disposal of Mineral or Petroleum Assets.
- Where a listed issuer engages in a major (or above) acquisition of Mineral or Petroleum Assets, it must include a Competent Person's Report in the relevant circular.
- Any major (or above) acquisitions of Mineral or Petroleum Assets must also be supported by Valuation Reports prepared by Competent Evaluators.
- Details of exploration, development and mining production activities and summary of expenditure incurred must be included in interim and annual reports.
- Listed Companies which publicly disclose details of Resources and/or Reserves after 3 June 2010 must update details once a year in annual report.

Contact us

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