



# HKEx – Asia's Global Market

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# Benefits of Listing in Hong Kong



## The World's Leading Fund Raising Venue

Hong Kong IPOs' fund raising in 2009 and 2010 were the largest in the world. YTD Aug 2011, the IPO funds raised in Hong Kong also led the world at USD24bn.\*

## Diversified Investor Base

The ability to attract an impressive investor base from both local and overseas investment communities. New issuances can attract strategic investors.

## Unparalleled Liquidity

Free flow of capital and deep pool of liquidity.

## Higher Valuation Potential

Companies with emerging markets stories often enjoy higher valuations in Hong Kong compared to other global and Asian stock markets, examples are Consumer and Resource sectors.

## Capital from Mainland China

China's QDII program allows Mainland China funds to invest in Hong Kong. RMB IPOs facilitate overseas companies business expansion in Mainland China.

## Global Mining Center

The recent amendments of Hong Kong Listing Rules have brought Hong Kong in line with globally recognized listing standards for mining and natural resource companies.

## International Financial Center

Hong Kong has a well-established legal system based on the English common law, and adopts Hong Kong FRS and IFRS. Our Listing Rules are highly regarded by international investors.

\*Source: World Federation of Exchanges

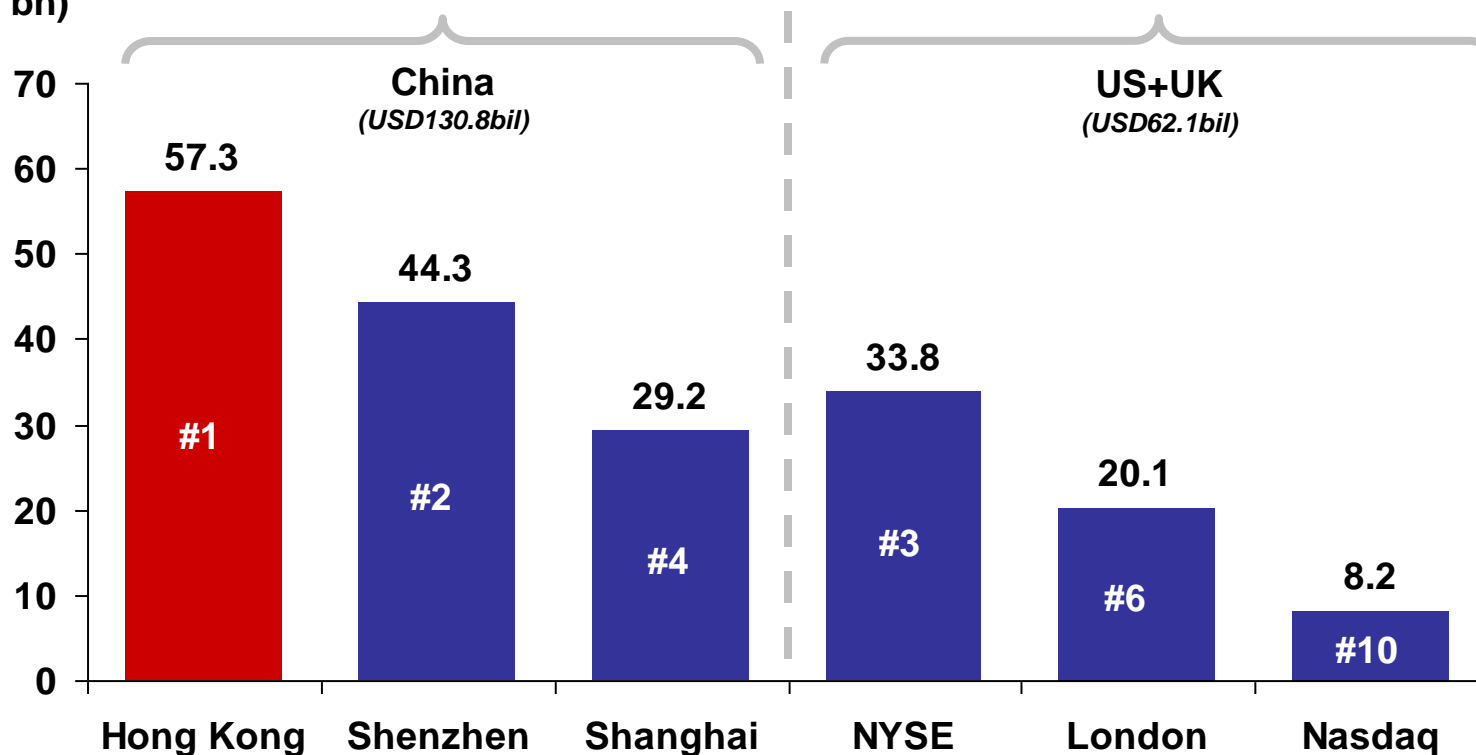
# The World's Leading Fund Raising Venue



## IPO Funds Raised

- The aggregate IPO funds raised in Shenzhen, Shanghai and HK was about 2.1x of that of NYSE, NASDAQ and LSE in 2010

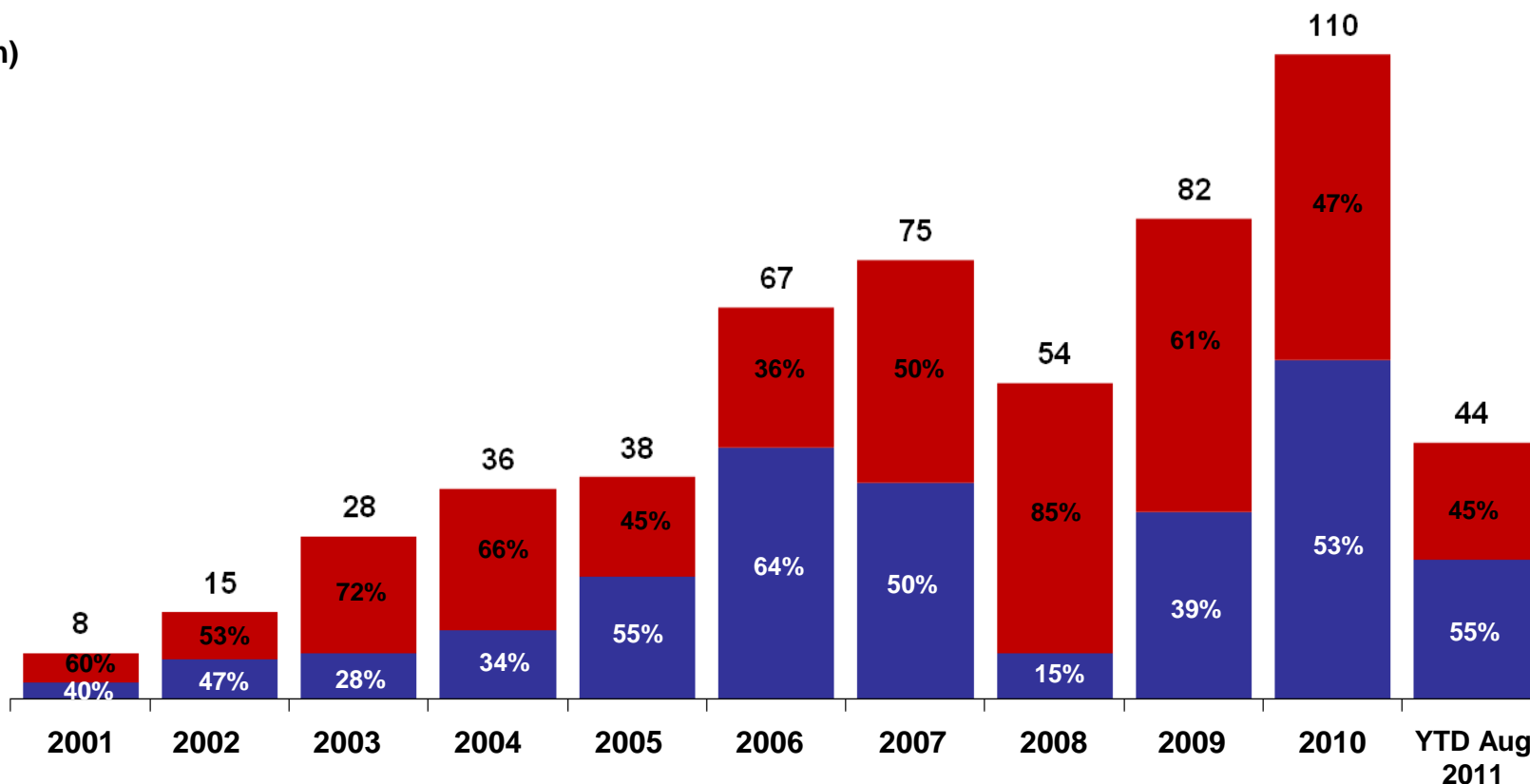
(USD bn)



# Strong IPO and Post-IPO Fund Raising Capability



(USD bn)

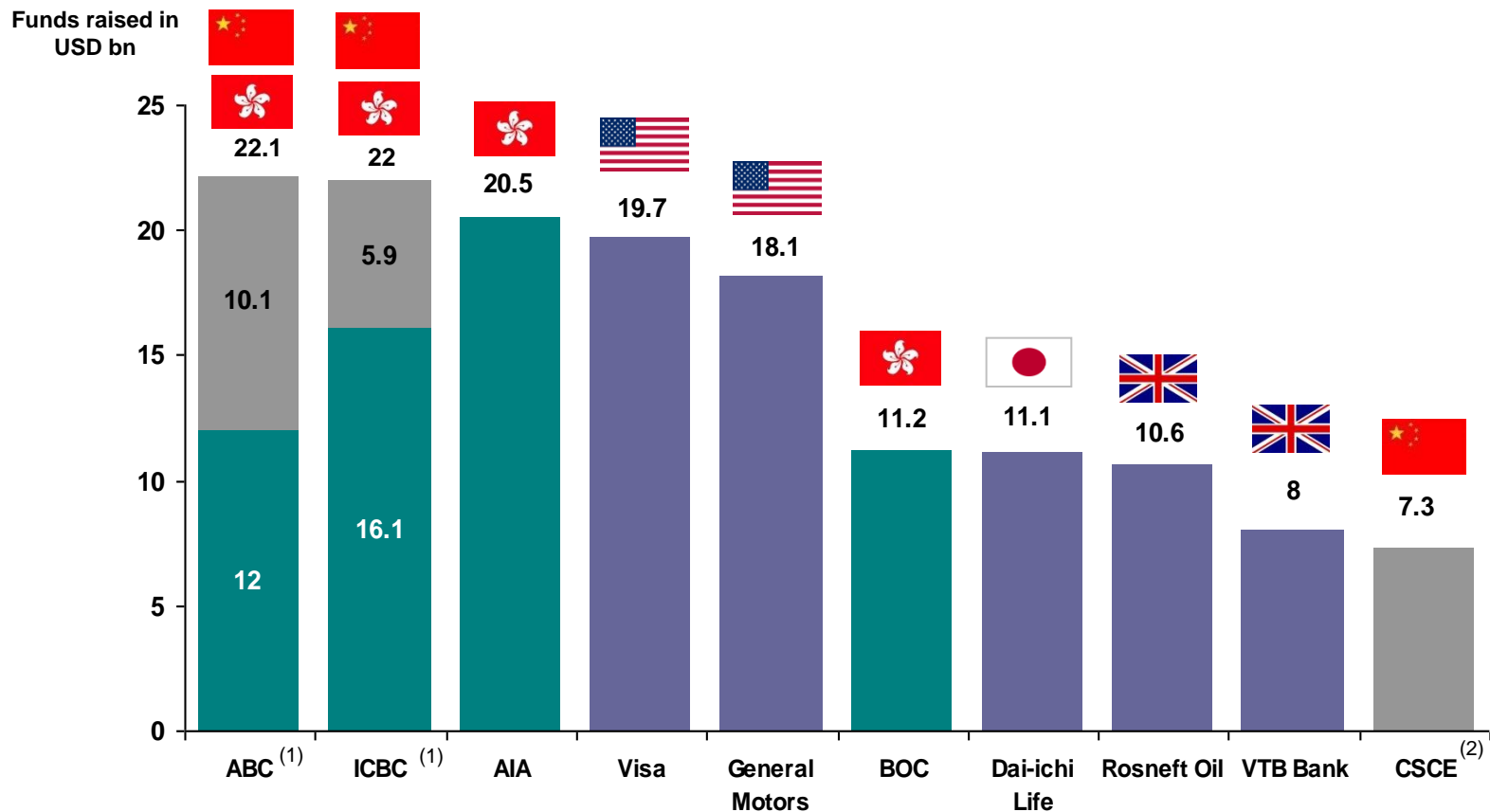


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	YTD Aug 2011
<b>IPO</b>	3	7	8	12	21	43	37	8	32	58	24
<b>Follow-on</b>	5	8	20	24	17	24	38	46	50	52	20

# World's Top 10 IPOs

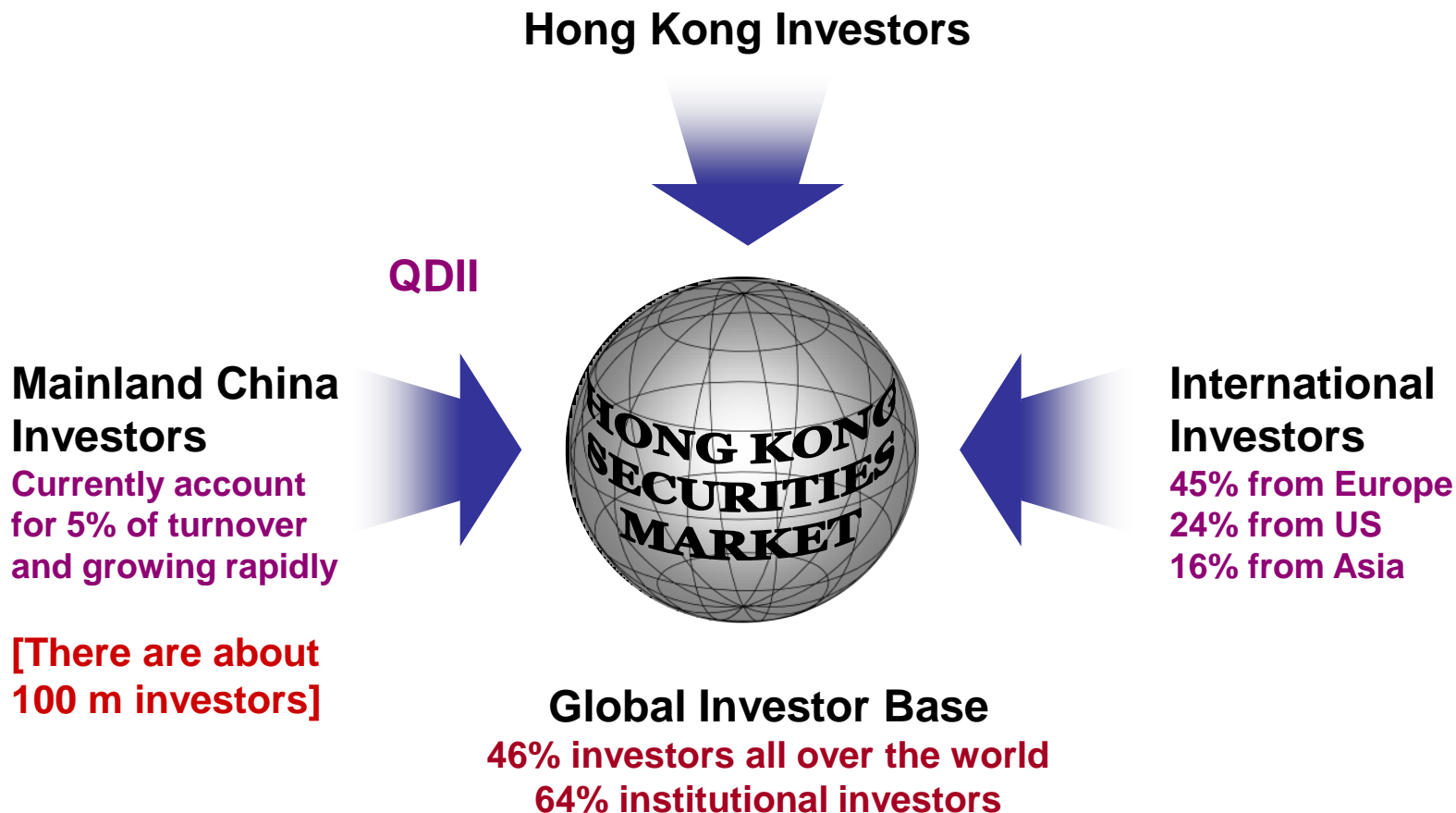


4 out of 10 were listed in Hong Kong ( 2006 – Q1 2011 )



<sup>(1)</sup> A shares listing in Mainland China (grey portion), H shares listing in Hong Kong (green portion); <sup>(2)</sup> China State Construction Engineering

# Quality Market Attracts a Diverse and Expanding Global Investor Base



# Leading Institutional Funds are Attracted to Hong Kong

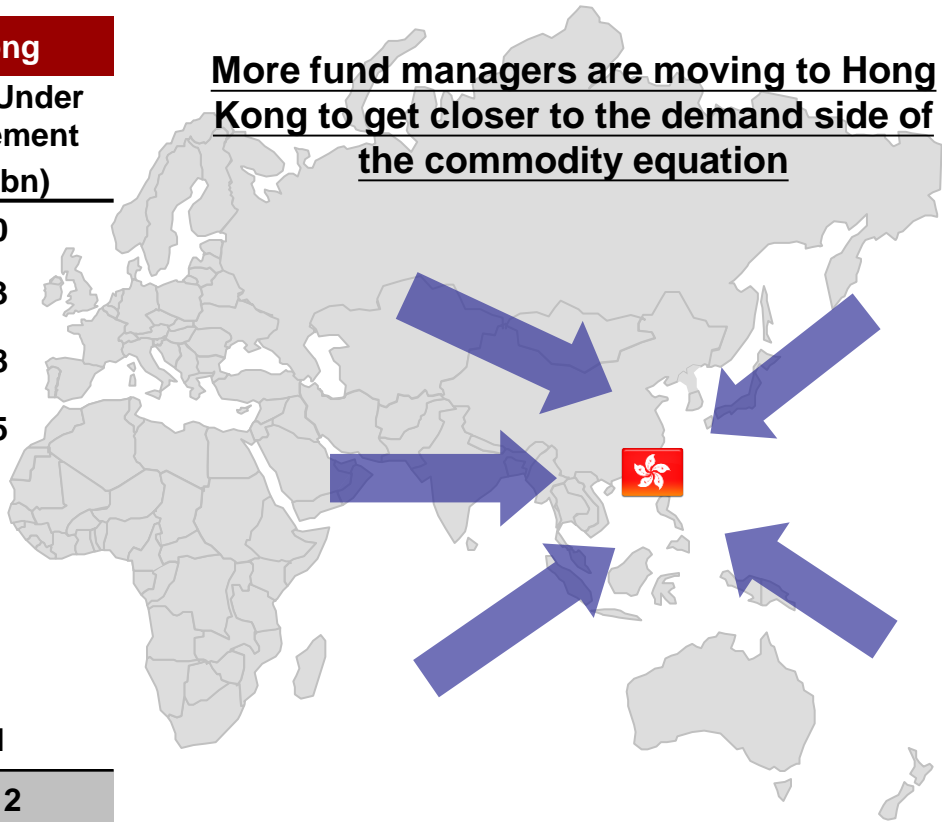


**Hong Kong offers a quality market that attracts leading global institutional funds**

## Leading Institutional Funds in Hong Kong

Institutions	Assets Under Management (USD bn)
JPMorgan	190
Franklin Templeton	133
Fidelity	108
BlackRock Global Funds	105
Schroder	80
Goldman Sachs	64
HSBC	58
PIMCO	53
Others	521
<b>Total</b>	<b>1,312</b>

**More fund managers are moving to Hong Kong to get closer to the demand side of the commodity equation**



# Building a Strategic and High Profile Investor Base

Through listing in HK, a company can attract **Strategic Investors** at different stages:

## Pre-IPO Investors

- Pre-IPO investors introduced before listing
- Major benefits:
  - New funds to support the growth
  - Strategic investors improve internal control and operational efficiency to better prepare for listing

## Cornerstone Investors

- Introduced at the time of listing
- Investment price is same as IPO price, but subject to six month lock-up period
- Major benefits:
  - Well known funds / investors may help to build up investor confidence during roadshows

## Post-IPO Investors

- Introduced after listing
- Major benefits:
  - To build up the reputation and corporate prestige
  - To facilitate global expansion strategy

### Interim guidance on pre-IPO investment (market consultation will soon be conducted):

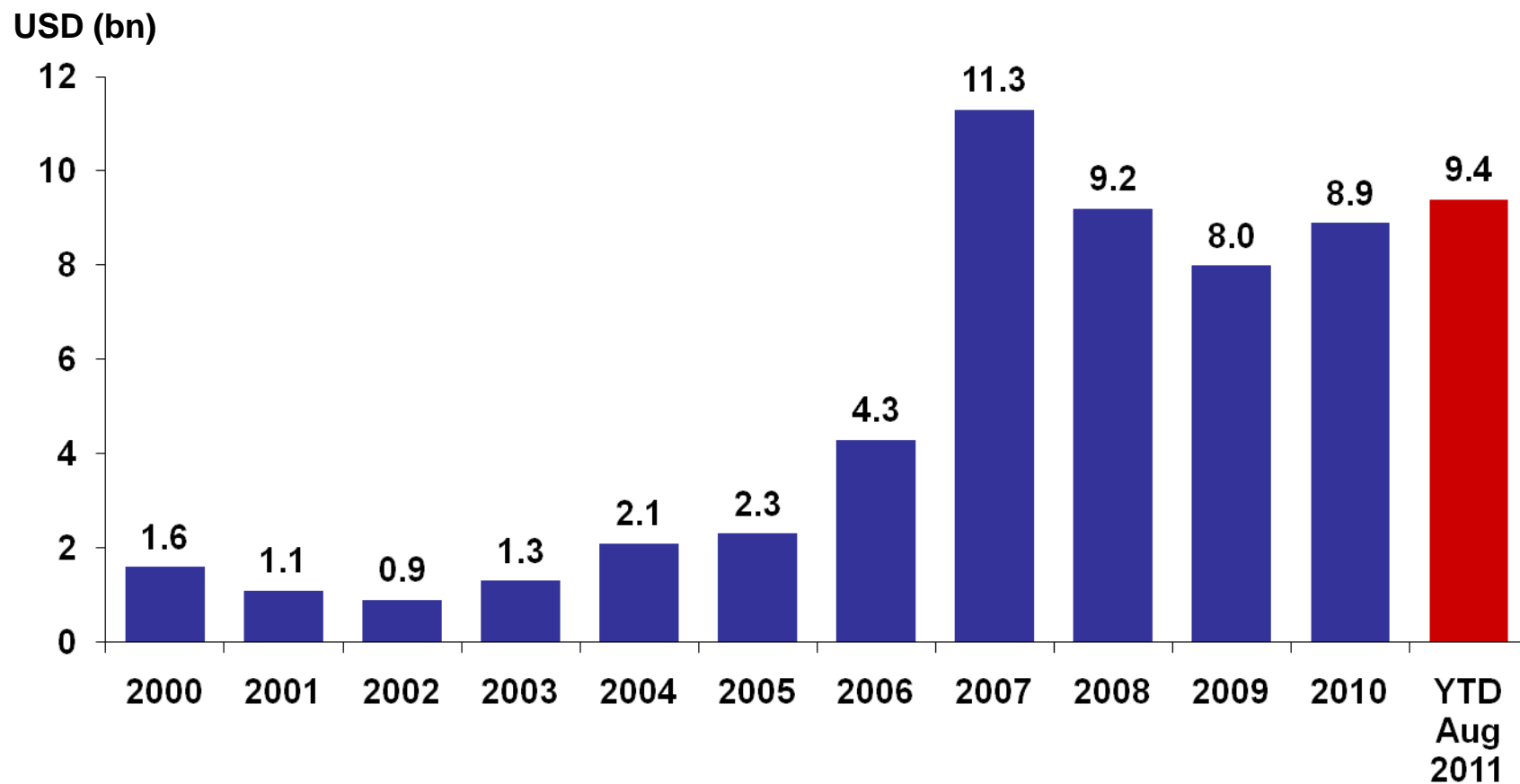
- Pre-IPO investment must be completed either:
  - (a) at least 28 clear days before the date of the first submission of the first listing application form, or
  - (b) 180 clear days before the first day of trading
- Pre-IPO investments are considered completed when the funds are irrevocably settled and received by the applicant



# Strong Market Liquidity



## HKEx average daily market turnover



# Higher Valuation Potential

## Energy



P/E: 64.65

Mongolia

## Consumer Goods

L'OCCITANE  
EN PROVENCE

P/E: 27.59

France

## Consumer Goods



P/E: 42.19

Italy

## Consumer Goods



P/E: 35.71

Taiwan

## Services



P/E: 35.71

US

## Services



P/E: 29.74

US

## Services



P/E: 19.05

US

## IT

Tencent 腾讯

P/E: 40.16

China

## Materials



P/E: 37.17

Malaysia

## Financials



P/E: 31.05

Japan

## Financials



P/E: 26.68

US

## Services

SUN ART  
Retail Group Limited

P/E: 54.31

France / Taiwan

# RMB Internationalization (1)



	<b>RMB Deposits in Hong Kong</b>	<b>Cumulative RMB Trade Settlement</b>
<b>Dec 2009</b>	<b>RMB 63 billion</b>	<b>RMB 4 billion</b>
<b>Dec 2010</b>	<b>RMB 315 billion</b>	<b>RMB 510 billion</b>
<b>Jul 2011</b>	<b>RMB 570 billion</b>	<b>Over RMB 1,000 billion</b>

## **World Bank Global Development Horizons 2011 –**

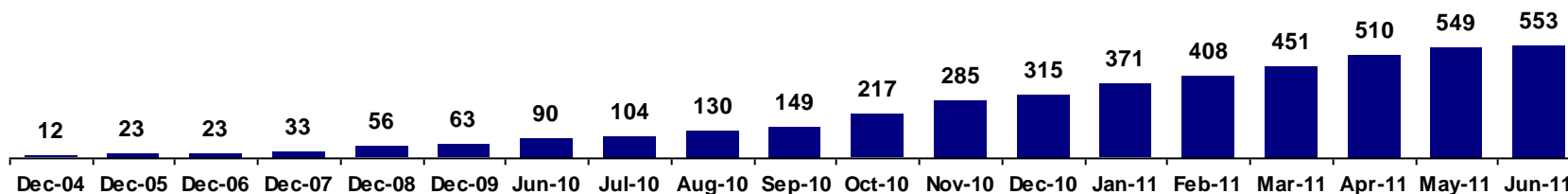
**“The most likely global currency scenario in 2025 will be a multi-currency centered around the dollar, the euro and the renminbi.”**

# RMB Internationalization (2)



## RMB Deposits in Hong Kong

( RMB bn )



### China's vice premier Li KeQiang in Aug 2011 –

In order to accelerate the pace of internationalizing the RMB, Li said today that, “China will keep supporting the use of RMB for foreign investment in the country and he has confidence that Hong Kong would remain the major offshore global financial hub for the currency.”

Li said also “Hong Kong enterprises would have numerous chances to make direct investment in Mainland shares, with Qualified Foreign Institutional Investors permitted to invest in Mainland equity markets with a scope of RMB20 billion.”

# Hong Kong as the Key International Market for Mining and Natural Resource Companies



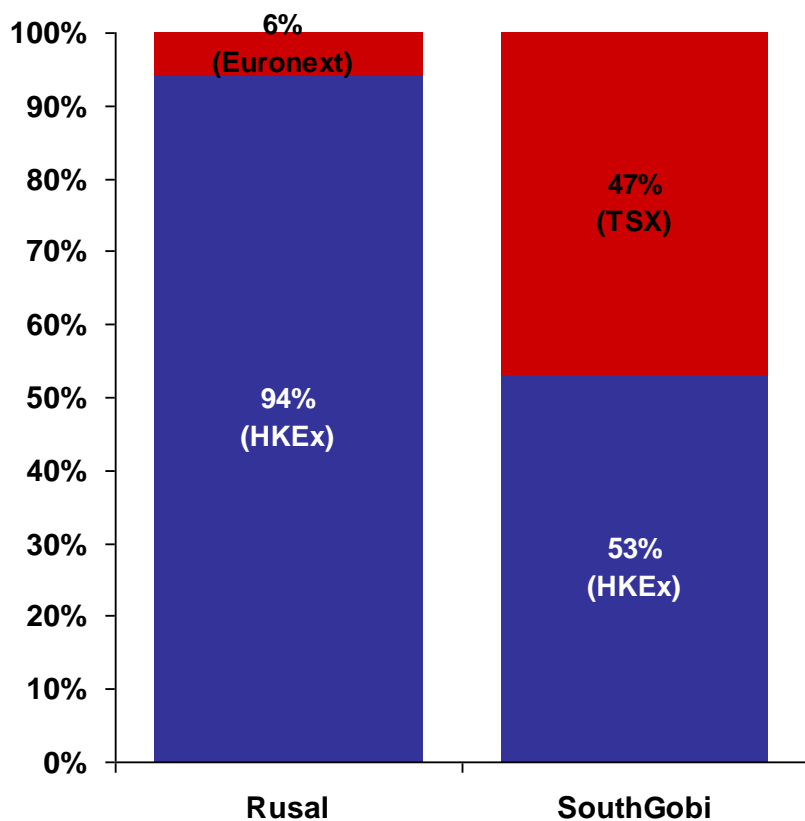
- **3 June 2010** – New listing rules for Mineral Companies effective. Mineral Companies that have made a meaningful discovery and wish to raise development capital are now eligible to list in Hong Kong.
- Well received by practitioners. “**Hong Kong will become the largest mining finance market in the world.**” Robert Friedland, Chairman of Ivanhoe Mines, March 2010.

Natural Resource companies	No. of companies	Market Cap as of 30 Jun 2011 (USD bn)	Average P/E (times)	Average Daily Turnover in 2011 (USD m)
Metals & Mining	88	176	14.7	480
Energy	75	277	20.2	698
<b>Total</b>	<b>163</b>	<b>453</b>	<b>17.7</b>	<b>1,177</b>
<i>% of total market</i>	<i>11.3%</i>	<i>16.7%</i>		<i>12.5%</i>

# Dually-listed Natural Resources Companies



## Distribution of Average Daily Turnover since 2009/IPO



### Rusal in Hong Kong

- Market cap: USD20,803m
- IPO fund raised: USD2,230m
- Average daily turnover: USD9.6m

### SouthGobi in Hong Kong

- **Secondary listing** on HKEx
- Market cap: USD1,975m
- IPO fund raised: USD393m
- Average daily turnover: USD1.8m
- 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 2011: **increased to USD4.1m**

# Competitive Advantages and Key Drivers for a Hong Kong Listing

## International listings – Key Drivers

## Examples

Asia / China Nexus



USD20.4bn  
US

GLENCORE

USD10.0bn\*  
Switzerland



USD2.5bn  
US

Alignment of Issuers' Growth Drivers and Shareholders



USD2.2bn  
Russia



USD2.1bn  
Italy



USD1.9bn  
US

Global Investor Base



USD1.6bn  
US

Samsonite

USD1.2bn  
US

L'OCCITANE  
EN PROVENCE

USD786m  
France

Transparent and Efficient Listing Regime



Mongolian Mining  
Corp  
USD745m  
Mongolia



Secondary Listing  
Brazil



Secondary Listing  
UK

# FROM NEWSPAPER AND OTHER MEDIA REPORTS YTD 2011

– future Hong Kong listings



Burberry (UK)	Ducati Motor (Italy)	Sixty Group (Italy)	Coach (USA)	Lontoh Mines (South Africa)	LVMH (France)
Carrefour (France)	Baroque (Japan)	Erdennes Tavan Tolgoi (Mongolia)	Moncler (France)	Galaxy Resources (Australia)	Euroasia Capital (Mongolia)
Fortescue (Australia)	BNP Paribas (France)	Capital Malls (Singapore)	Sunshine Oil Sand (Canada)	Lukoil (Russia)	EuroSibEnerg (Russia)
Aston Martin (UK)	Lock&Lock (S. Korea)	Philips (Asia) (Netherlands)	BALS (Japan)	AirAsia (Malaysia)	STX-China (S. Korea)
Deutsche Post DHL (Germany)	Folli Follie (Greece)	Majestic Gold (Canada)	Moncler (France)	Gold One (Australia)	... .. etc.



# Secondary Listing



## List of secondary listing stocks on HKEx

Name	Incorporation	Listing Date	Primary Exchange
Manulife Financial	Canada	27 Sep 1999	Toronto
SouthGobi Energy	Canada	29 Jan 2010	Toronto
Midas Holdings	Singapore	6 Oct 2010	Singapore
Vale S.A.	Brazil	8 Dec 2010	Brazil
Glencore International plc	Jersey	25 May 2011	London
Kazakhmys	UK	29 Jun 2011	London and Kazakhstan

## Characteristics of secondary listing

- Secondary listed issuers are primarily listed on another stock exchange and the majority of their equity securities are not usually traded on HKEx
- The Exchange is satisfied as to the shareholder protection standards in the issuer's jurisdiction of incorporation
- Can apply for waivers from strict compliance of listing rules
- Standards other than Hong Kong FRS or IFRS may be accepted

# What Experts are Saying about HKEx...



"Hong Kong will be a dominant center for offshore renminbi trade, that's a given. The other market that is difficult is the equities market, both the cash and the derivatives market. Hong Kong is just much larger than we are", said Mr Gupta, CE of Singapore's DBS Group.

**Piyush Gupta, WSJ, 18/7/11**

Hong Kong's advantaged position as an international financial center has not changed, said Chinese Premier Wen Jiabao. "The central government will support Hong Kong in developing itself into an offshore RMB settlement center and international assets management center. I believe Hong Kong has the ability to cope with not only regional but also international competition and risks,".

**Wen Jiabao, China Daily, 14/3/11**

Russia's President Dmitry Medvedev said he saw Hong Kong as a model for Moscow. Yuri Soloviev, president of VTB Capital added: "This is one of the most liquid markets globally, and therefore the companies we are representing here will be sufficiently capitalized (as a result of listing)".

"RUSAL has become Russia's most recognizable company in China. The formula is very simple: Russian goods, China's market, Hong Kong capital market, stock market," said Volynets, general director of RUSAL's holding company EN+.

**Dmitry Medvedev, Sino Daily, 17/4/11**

Why is Hong Kong suddenly the "it" bourse for luxury IPOs? There are two forces that are driving this trend -- one, a heavily skewed "Asia-centric" luxury demand which has companies thinking "let's IPO where my consumers are" and two, in a jittery world Hong Kong is a relatively better place to raise money.

**LiveMint, WSJ, 30/6/11**

# Appendix – Key Main Board Listing Requirements



## 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

## Professional Advisers

- Must appoint a sponsor for listing
- Public offer tranche must be fully underwritten by underwriters
- Must appoint a compliance adviser for the period from listing date to end of publication of financial results for 1<sup>st</sup> full financial year after listing

# Appendix – Listing Rules for Mineral Companies



## Requirements for new listing:

- **At least “indicated resources”** – 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.
- **125 % working capital** – of present requirements, for at least 12 months from the date of the listing document.
- **Sufficient experience** – A Company seeking waiver from the financial standards requirements must establish that its directors and senior managers, taken together, have at least five years industry experience.
- Mineral Companies must include reports on **Reserves and Resources prepared by Competent Persons** in their listing documents. Competent Persons must be independent of issuers.
- **Plan to proceed to production** – A Mineral Company that has not yet begun production must disclose a plan to proceed to production with indicative dates and costs supported by at least a Scoping Study, i.e. Preliminary evaluation of economic viability of mineral resources, substantiated by the opinion of a Competent Person.

# Appendix – Listing Rules for Mineral Companies



## Reporting standards:

- **Competent Persons' Reports must conform to the following report standards on mineral resources and reserves:**
  - (a) the JORC Code
  - (b) NI 43-101
  - (c) the SAMREC Code

Information presented under other reporting standards must provide reconciliation to one of these codes
  
- **Information on petroleum resources and reserves will need to be disclosed under PRMS**
  
- **Valuation Reports must conform to the following codes:**
  - (a) VALMIN Code
  - (b) the SAMVAL Code
  - (b) CIMVAL

# Contact Us



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