FAQ: Dual-Listing in Hong Kong
by Woon-Wah Siu, Louis Bevilacqua and Thomas Shoesmith

For companies listed on a U.S. stock exchange, a dual-listing in Hong Kong may offer a excellent opportunity for further capitalization. This FAQ outlines the requirements and processes involved in pursuing an HKEx listing.

Q. My company’s shares are already publicly traded in the U.S. Why should we be listed in Hong Kong?

A. To expand liquidity in your company’s shares and gain better access to the vast capital in Greater China.

Q. How easy is it to list in Hong Kong?

A. It is quite cumbersome if your company is not incorporated in Hong Kong or one of the “recognized jurisdictions.”

Q. What are the “recognized jurisdictions”?

A. China, Bermuda, and Cayman Islands.

Q. How can I list the shares of my company, which is U.S.- or BVI-incorporated?

A. To avoid the cumbersome application process involved with a company organized in a non-recognized jurisdiction, you can convert your company to a Cayman Island or Bermuda company.

Q. Can you elaborate more?

A. You will organize a company in, e.g., Cayman Islands, to which company will convert. If necessary, you will reorganize your company so that the conversion will require only a majority vote. Then you solicit the vote of the company’s shareholders to approve the conversion and continuance of the company as a Cayman Islands company, and in connection with that the company has to file a proxy statement/registration statement with the SEC. Upon receiving the necessary shareholder vote and filing of conversion and continuance documents, your company will become a Cayman Islands company. Nothing is changed except shareholders now hold shares, in the same proportion as before, in a Cayman Islands company that operates the same business as before.
Q. Now that my company has “moved” to Cayman Islands, what options do I have on the Stock Exchange of Hong Kong (HKEx)?

A. If you meet the listing requirements of the Main Board, the company can consider either a primary listing or secondary listing (i.e., the main trading market for the company’s shares remains in the U.S.) of its shares or Depositary Receipts (HDRs).

Otherwise, the company can only have a primary listing of its shares on the Growth Enterprise Market (GEM) of HKEx, as GEM does not permit a secondary listing.

Q. What are the Main Board’s basic listing requirements for equities?

A. For a primary listing, the company has to meet one of three quantitative tests:

1. Profit Test
   - Aggregate profit from operations of at least HK$50 million in the last three financial years, with profits of at least HK$20 million in the most recent year;
   - At least 300 shareholders at the time of listing; and
   - Minimum market capitalization of HK$200 million.

2. Market Cap/Revenue Test
   - Market capitalization of at least HK$4 billion;
   - Revenue of at least HK$500 million in the most recent financial year; and
   - At least 1,000 shareholders at the time of listing.

3. Market Cap/Revenue/Cash Flow Test
   - Market capitalization of at least HK$2 billion;
   - Revenue of at least HK$500 million in the most recent financial year;
   - Positive cash flow of at least HK$100 million in the aggregate in the last three financial years; and
   - At least 300 shareholders at the time of listing.

In addition, in each case: (i) the public float must be at least 25% of the total issued share capital with a minimum market capitalization of HK$50 million; (ii) the company must have management continuity in the last three financial years; and (iii) the company must have ownership continuity and control for at least the most recent financial year.

Q. What about a secondary listing?

A. In addition to meeting the same quantitative tests as above, there are additional requirements.
First, to have a secondary listing, the company must have a primary listing on another exchange, and that exchange should have standards of shareholder protection that are at least equivalent to those provided by Hong Kong. If the primary exchange does not have equivalent shareholder protection standards, the company can amend its constitutive documents to provide standards acceptable to HKEx.

The other additional requirements include appointment of an agent to accept service of process and maintaining a share register in Hong Kong.

Q. Are there other requirements?

A. Yes, there are qualitative requirements relating to corporate governance and continuing obligations that apply to all listed companies. HKEx may waive or modify the requirements to ensure that investors have the same protection in Hong Kong, on a case-by-case basis in its absolute discretion. HKEx also has the discretion to agree to modifications of an issuer's continuing obligations.

Q. What about HDRs?

A. The company has to meet the same requirements as those discussed in the last three questions. In addition, the HDR program must be a sponsored program, i.e., the company will have to sign the deposit agreement with the depositary, setting forth the rights and obligations of the company, the depositary and the holders of HDRs.

Q. What are GEM's listing requirements?

A. The listing requirements are:

- Positive cash flow from operations of at least HK$20 million in aggregate for the last two financial years;
- Market capitalization of at least HK$100 million;
- Minimum public float of at least HK$30 million and 25% of the total issued share capital;
- At least 100 public shareholders, with the three largest public shareholders owning not more than 50%;
- The company must have been under substantially the same management for the most recent two financial years; and
- The company has had the same controlling shareholder(s) for the most recent financial year.

Q. The company prepares its financial statements according to U.S. GAAP. Is that acceptable to HKEx?

A. Yes.

Q. What are the methods of listing?

A. An offering of newly issued shares, or an “introduction” whereby already issued shares are listed.
Q. How long will the listing process take?

A. Generally it takes three to four months, assuming the company meets the listing criteria and all necessary documents are in order.

Q. My company is not listed on a U.S. exchange, but is traded on the Over-The-Counter Bulletin Board (OTCBB). Can it list its shares in Hong Kong?

A. Yes, but it can only apply for a primary list on the Main Board or GEM.

Q. Can you recap what my company’s options are, assuming it meets the relevant listing requirements?

A. Sure.

1. If your company is listed on a U.S. exchange, it can conduct
   - a primary listing of shares or HDRs on the Main Board; or
   - a secondary listing of shares or HDRs on the Main Board (must maintain U.S. primary listing);
   - a primary listing of shares on GEM.

2. If you company is traded on OTCBB or Pink Sheets, it can conduct
   - a primary listing of shares or HDRs on the Main Board; or
   - a primary listing of shares on GEM.

For further information on listing companies on the Stock Exchange of Hong Kong, please contact:

Woon-Wah Siu (bio)  
Shanghai  
+86.21.61377924  
woonwah.siu@pillsburylaw.com

Louis A. Bevilaqua (bio)  
Washington, DC  
+1.202.663.8158  
louis.bevilaqua@pillsburylaw.com

Thomas M. Shoesmith (bio)  
Shanghai  
+86.21.61377921  
tom.shoesmith@pillsburylaw.com

Joseph R. Tiano, Jr. (bio)  
Washington, DC  
+1.202.663.8233  
joseph.tiano@pillsburylaw.com