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# Media Workshop on HKEx's RMB Products

## RMB IPO Models and Issuance of RMB Bonds

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**11 September 2012**



# Agenda

1

Why Issue RMB Equities in Hong Kong

2

RMB IPO Models and Trading Support Facility

3

Issuance of RMB Bonds

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Issuance of RMB Bond

# RMB Products Listed on HKEx

## Debt Securities

- 41 RMB bonds listed
- Total of RMB 66 billion issued, including
  - Agricultural Development Bank of China
  - Baosteel Group Corporation
  - China Development Bank Corporation
  - Ministry of Finance

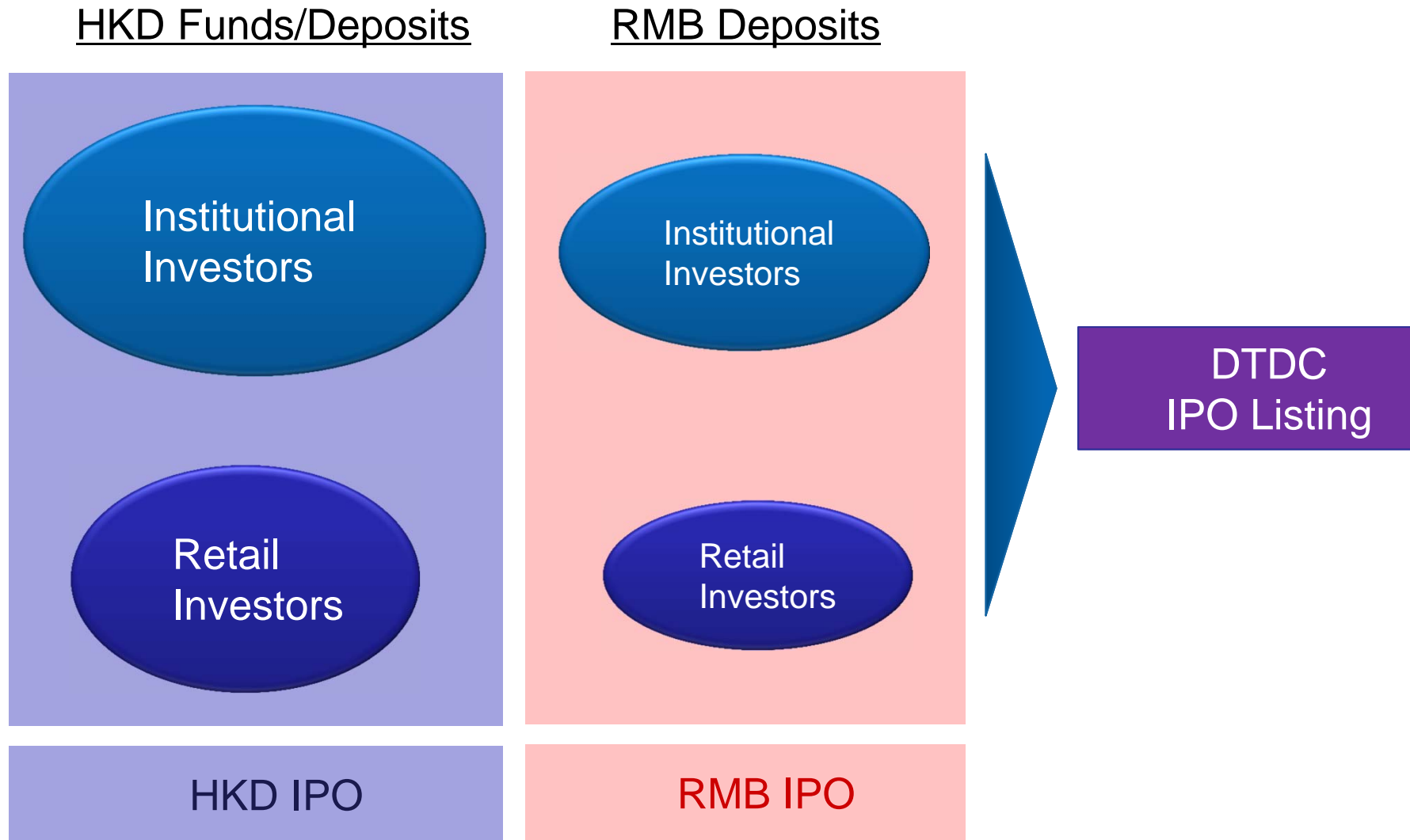
## Exchange Traded Funds (ETFs)

- 4 RMB ETFs listed
- Total of RMB 11 billion asset under management, including
  - ChinaAMC CSI 300 Index ETF
  - Hang Seng RMB Gold ETF

## Real Estate Investment Trusts (REITs)

- 1 RMB REIT listed
- RMB 11 billion issued
  - Hui Xian REIT

# Diversified Investor Base Increases the Opportunity for a Successful Listing



# Why Issue an RMB IPO?



## Raise Company Profile

- Be among the first few companies to issue RMB IPOs outside of Mainland China
- RMB IPOs will attract local and international investor interest
- Expect to receive high level of media attention internationally
- Publicity in Mainland China to help brand-building

## Untapped Demand for RMB Products

- Untapped demand for RMB products among investors - Hong Kong RMB deposits of RMB589 billion by end of 2011
- In contrast to relatively low-yielding savings accounts, RMB funds have potential capital appreciation

## Why Issue an RMB IPO? (Cont'd)



### Reduce FX Risk

- Ideal way for companies with substantial RMB operating expense requirements to hedge against an appreciating RMB and to deploy capital for Mainland expansion
- Streamlined process announced

### Potential Exposure to Mainland Investors

- Potential interest from Mainland investors in the future as the capital account opens
- Likely market re-rating with increased turnover
- Facilitate future follow-on fund raisings

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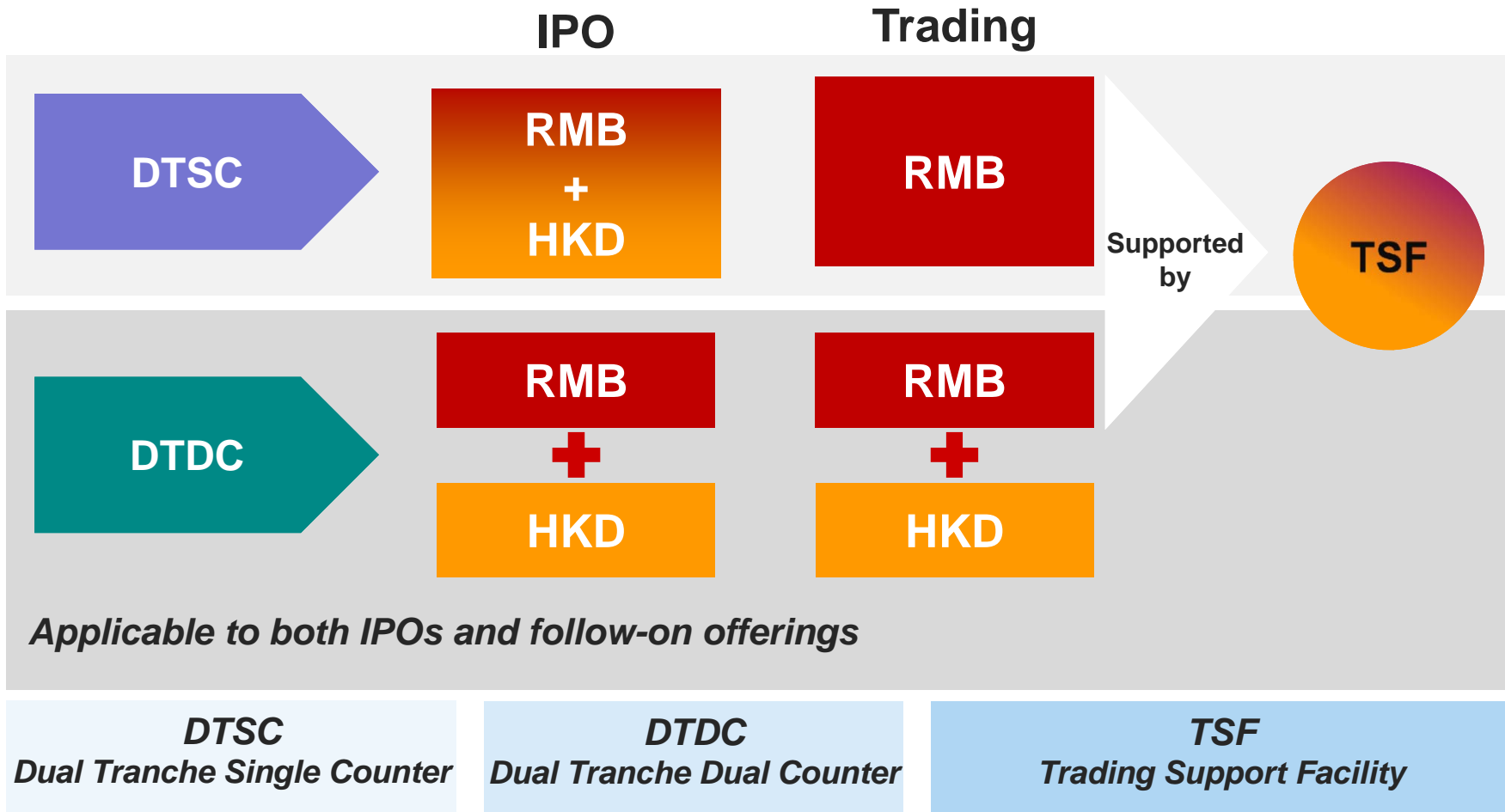
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Issuance of RMB Bond



# Different Models & Facilities to Support the Listing & Trading of RMB Equities

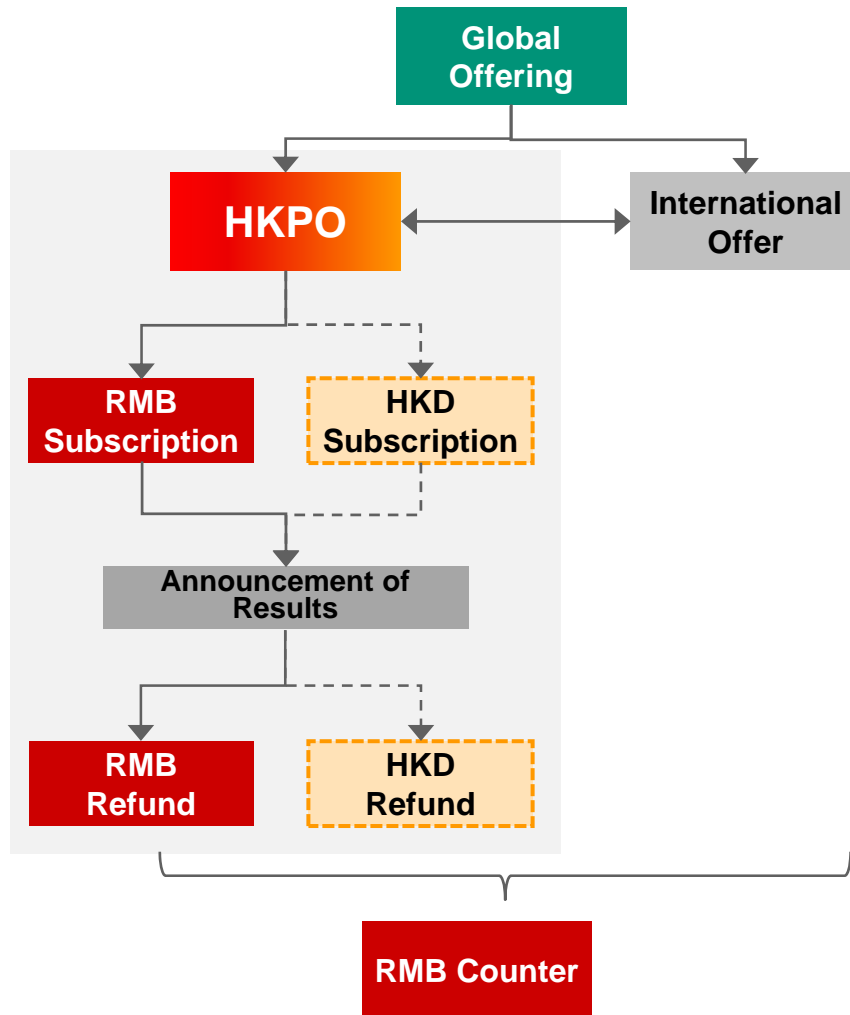


**RMB equity issuance models and Trading Support Facility are ready for the market**

# Dual Tranche, Single Counter (DTSC)



## IPO Structure



## Key Principles

- Optional to issuers
- Minimise stress on CNH\* market during IPO period if heavily over-subscribed
- Enable issuers to leverage upon the HKD deposit base
- Margin-financing using HKD

\* CNH: RMB in Hong Kong

# Dual Tranche Dual Counter (DTDC) Overview



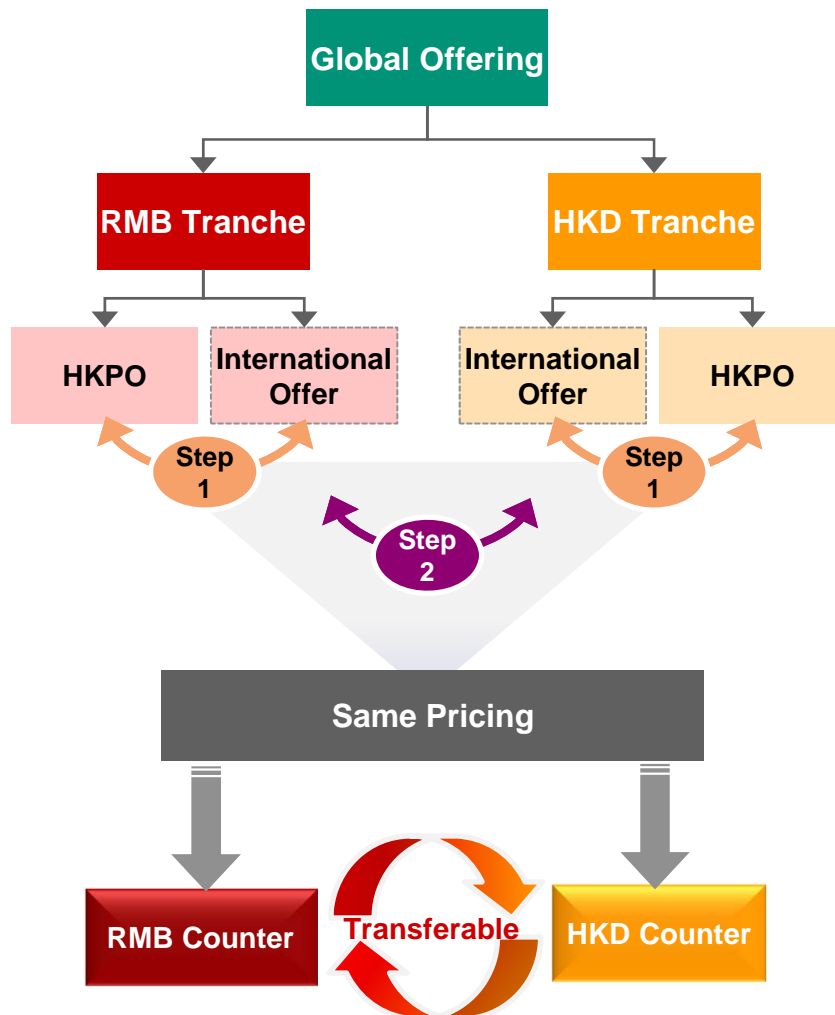
Dual Tranche Dual Counter Model	Description
<p>The diagram illustrates the DTDC model in three stages:</p> <ol style="list-style-type: none"> <li><b>1. IPO:</b> Simultaneous offering of RMB and HKD tranches.</li> <li><b>2. CCASS / Register of Member (ROM):</b> The RMB and HKD tranches are listed and made transferable to each other.</li> <li><b>3. Secondary Market (Trading &amp; Clearing):</b> Trading and clearing occur in two separate counters for RMB and HKD.</li> </ol>	<p><b>Listing</b></p> <ul style="list-style-type: none"> <li>■ Simultaneous offering and initial listing of a tranche of RMB-traded shares and a tranche of HKD-traded shares by the same issuer</li> <li>■ Same offer price</li> </ul> <p><b>Post-Listing</b></p> <ul style="list-style-type: none"> <li>■ Allow transferability</li> <li>■ Same class of shares with identical shareholders' rights</li> <li>■ Trading and clearing in two "counters" with different stock codes</li> <li>■ Ownership disclosure on combined tranches</li> <li>■ No additional intermediary required</li> </ul>

***DTDC is applicable to both IPOs and Follow-on Offers***

# DTDC Mechanism: IPO Process (Option 1)



## IPO Structure



## Claw-back / Re-allocation

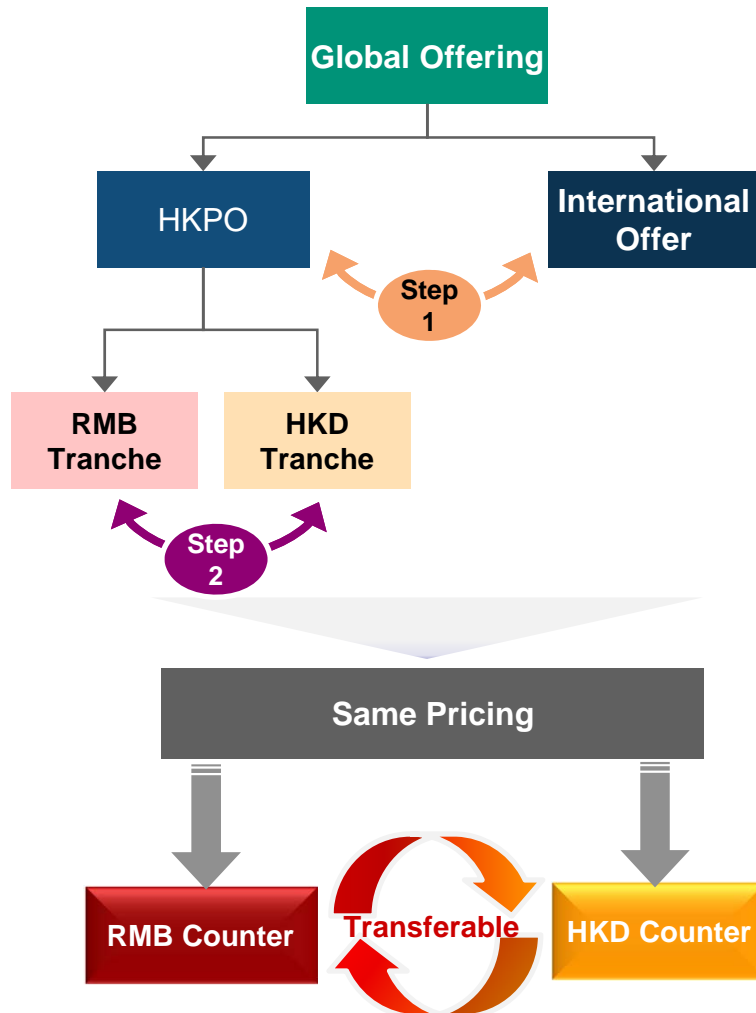
- Step 1**
- Intra-tranche claw-back applies as per PN18
  - Intra-tranche re-allocation (where applicable) also applies as per existing IPO practice and Listing Rules

- Step 2**
- Inter-tranche re-allocation allowed
    - Fair re-allocation
    - Minimum RMB tranche size
    - Same pricing for both RMB tranche and HKD tranche after currency conversion

# DTDC Mechanism: IPO Process (Option 2)



## IPO Structure



## Claw-back / Re-allocation

**Step 1**

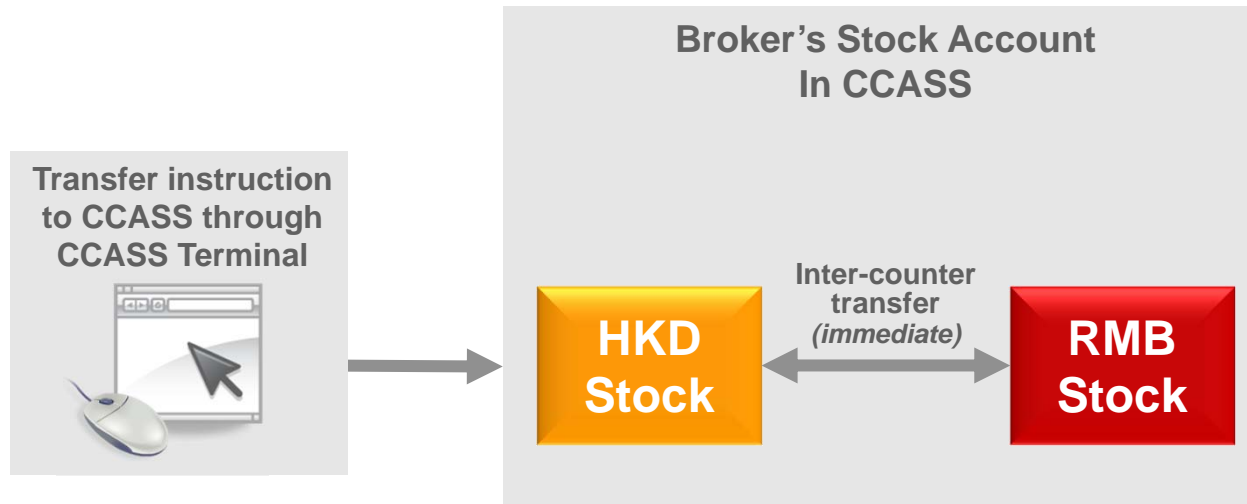
- Claw-back / re-allocation mechanism applies as per existing PN18 between HKPO and International Offer

**Step 2**

- Re-allocation between RMB tranche and HKD tranche of HKPO allowed
  - Fair re-allocation
  - Minimum RMB tranche size
  - Same pricing for both RMB tranche and HKD tranche after currency conversion

# DTDC Mechanism:

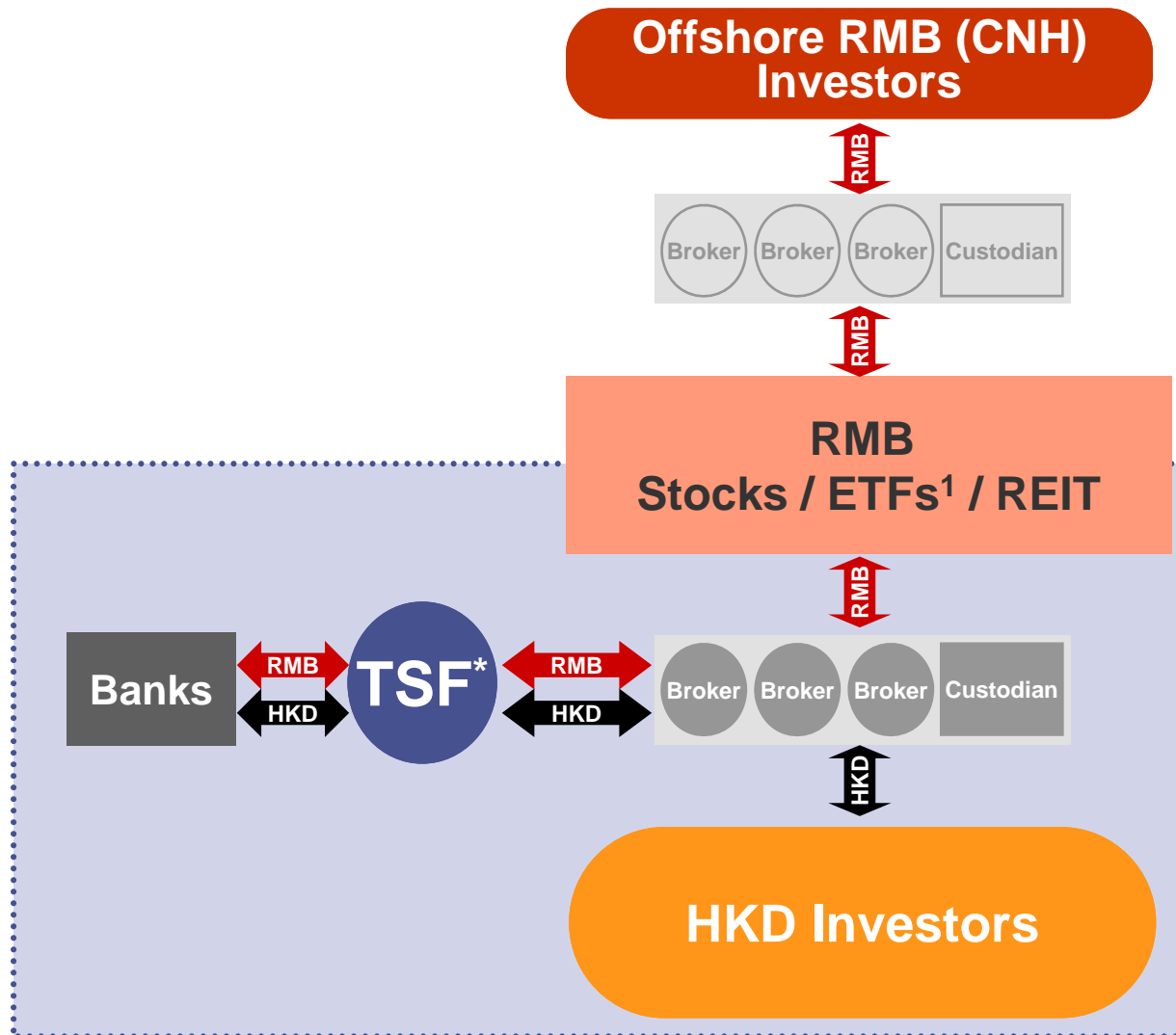
Inter-counter transfer can be done in CCASS electronically



- CCASS Participants who hold shares in CCASS can transfer shares between the HKD and RMB stock counters
- Electronic instruction:
  - Through CCASS Terminal
  - Immediate transfer (if shares available)
  - Batch transfer at 9:15am, 10:15am, 12:30pm, 2:30pm and 3:30pm respectively (if shares not available at input)
- Handling fee: HK\$5 per instruction

***Investors who hold share certificates can transfer shares at the relevant share registrar, which takes 2 to 7 working days***

# How does the TSF work?



## Key Features

Back-up

Re-cycle

Open (but optional) to all brokers / custodians

Committed in size, but commercially-priced

Note: 1. With equities as underlying

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**Issuance of RMB Bond**



## Amendments to Chapter 37 of the Listing Rules in November 2011

- Simplified disclosure requirements
- Streamlined the approval procedures; shorter turnaround time
- Aligned the definition of professional investors with that in SFO

# Eligibility Requirements

Net assets of  
HK\$100  
million<sup>(1)</sup>

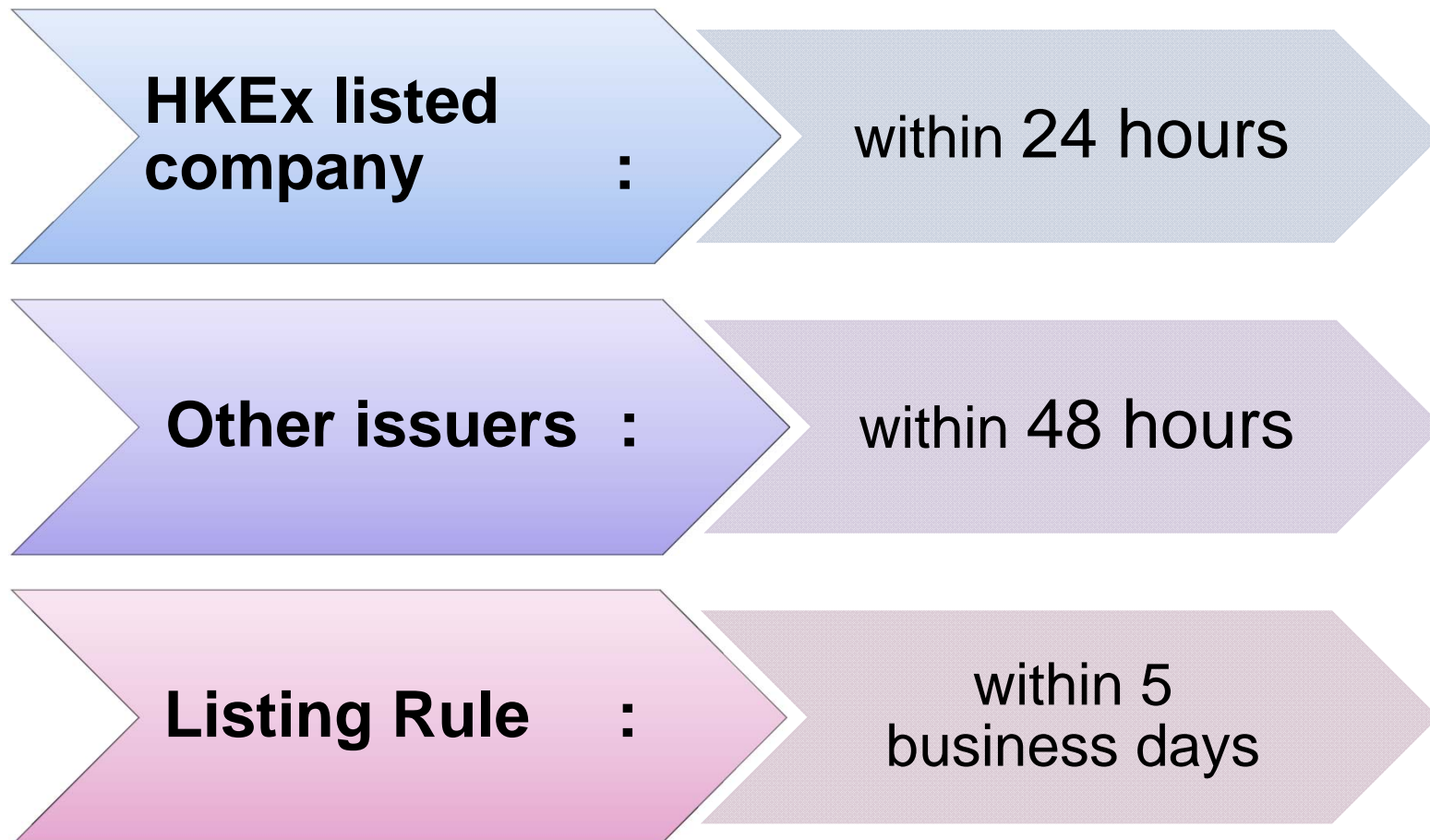
2 years  
audited  
accounts<sup>(2)</sup>

Minimum  
denomination  
of HK\$500,000

- (1) Not applicable to listed company on HKEx or another exchange, supranational or state corporation
- (2) Not applicable to listed company on HKEx, supranational or state corporation

# Processing Time

With no novel features:



Information that professional investors would customarily expect to contain

## Statements

- HKEx disclaimer
- Issuer responsibility statement
- Selling restrictions to professional investors only

# Definition of Professional Investors

Investor Type	Definition of Professional Investors	
	Listing Rules	SFO
Authorised financial institution, insurance company, fund, government etc.	✓	✓
High net worth individuals or institutions	Waiver	✓

# Listing Fee

HK\$7,000 to HK\$90,000  
(depending on issue size and time-to-maturity)

No annual fee

Amongst the lowest in Asia Pacific



Example : Listing fee is capped  
at HK\$39,000 for a  
5-year bond

# RMB Debt Securities Statistics



## Number of Listed RMB Bonds: 41

Year	Number of Listings	Nominal Value (in RMB billion)
Since rule amendment *	30	52.7
Corresponding period in 2011	11	13.3
Increment	173%	296%

Source: HKEx as at 31 August 2012