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## NOTICE TO ISSUERS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

*This has been drafted as a communication from each in-scope CMI to the Issuer client, to be sent as soon as possible after kick-off and, in any event, [(in the case of an IPO) prior to or at the same time as entering into the written engagement or (in the case of a non-IPO ECM transaction) prior to [wall-crossing / deal launch]].*

[Date this Notice is sent to the issuer]

[Name of issuer client]

Re: [Project Name/description of securities]

Thank you for mandating [name of intermediary] (“we”/“us”) in connection with the above captioned matter. Our syndicate team working on this transaction is based in Hong Kong and they will be engaging in bookbuilding and placing activities in Hong Kong. As a result, we will be a “capital market intermediary” (“**CMI**”) or “overall coordinator” (“**OC**”) subject to Paragraph 21 of the Hong Kong Securities and Futures Commission (“**SFC**”) Code of Conduct (the “**SFC Code**”). This letter is intended to communicate various obligations the SFC Code imposes on us as a CMI and/or OC, which require your cooperation and attention. We look forward to working with you on this transaction.

### **Assessment of Issuer and the Offering**

1. A CMI is required to conduct an adequate assessment of an issuer including taking reasonable steps to obtain an accurate understanding of the history and background, business and performance, financial condition and prospects, operations and structure of the issuer. We would appreciate your cooperation in allowing us to conduct this due diligence exercise pursuant to paragraph 21.3.1 of the SFC Code.

### **[Written Agreement**

2. Paragraphs 21.3.2 and 21.4.1 of the SFC Code and Rules 3A.33, 3A.34, 3A.35 and 3A.36 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**SEHK**”) (the “**Listing Rules**”) provide that before a CMI or an OC conducts any bookbuilding or placing activities under (in the case of a CMI) paragraph 21.1.1 or (in the case of an OC) paragraph 21.2.3 of the SFC Code, it should ensure that it has been formally appointed under a written agreement (which clearly specifies the roles and responsibilities of a CMI, the fee arrangements (including fixed fees as a percentage of the total fees to be paid to all CMIs participating in the offering) and the fee payment schedule). We would request that such written agreement be entered into as soon as possible, but in any event, prior to any bookbuilding or placing activities (including marketing activities) of the transaction.
3. In addition, for an IPO, Rule 3A.43 of the Listing Rules provides that the issuer must ensure at least one OC it appoints (or one of the companies within the OC’s group of companies) is also appointed as a sponsor independent of the issuer, and (subject to the

SEHK's transitional arrangements) both appointments are made at the same time and no less than 2 months before the submission (or re-filing, as the case may be) of the listing application of the IPO.

4. We would appreciate the issuer's cooperation in confirming our role in this transaction (to the extent not already finalized) and discussing the fee arrangements such that they are agreed prior to entering into a written engagement. We will separately send you a draft of the written agreement for your review / confirmation.<sup>1]</sup>

#### **Restricted Investors and other placee categories**

5. Paragraph 21.3.3(b) of the SFC Code requires that a CMI should take all reasonable steps to identify investor clients to whom the allocation of shares will be subject to restrictions or require prior consent from the SEHK ("**Restricted Investors**")<sup>2</sup> and inform the OC (whether directly or indirectly) before placing an order on behalf of such clients. Such Restricted Investors will only be allocated shares in accordance with applicable SEHK Requirements.
6. You are hereby advised, pursuant to paragraph 21.4.5(a)(i) of the SFC Code and Rule 3A.46 of the Listing Rules, to provide to all syndicate CMIs a list of your directors, existing shareholders, their close associates and nominees engaged by any of the above for the subscription or purchase of shares offered in the IPO as soon as practicable and in any event at least 4 clear business days before the date of the Listing Committee's hearing on the listing application. Paragraphs 21.3.3(b) and 21.4.5(a)(ii) of the SFC Code require a CMI or an OC to take all reasonable steps to identify investors which are on the above list and require an OC to ensure they will only be allocated shares in accordance with applicable SEHK Requirements. For share offerings, the issuer is also required to provide sufficient information to assist syndicate members to identify any of the Restricted Investors. Pursuant to the above, you should (i) inform us if you expect any of such persons to place orders in this offering, (ii) carefully review the order book during the bookbuilding process and inform us of any of such persons and any material changes to information provided and (iii) carefully review the final order book and confirm whether any investors are Restricted Investors. If you do not inform us of any such investors, you are deemed to have confirmed that none of the investors are Restricted Investors.
7. [In addition, the SEHK requires syndicate members to identify any investors that fall within a number of placee categories as set out in the SEHK's placee list template or under the Listing Rules.<sup>3</sup> For share offerings, you should (i) inform us if you expect any persons

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<sup>1</sup> To be removed if the engagement letter has been signed by the time this notice is sent to the issuer.

<sup>2</sup> Such investor clients include (i) the directors or existing shareholders of the issuer or their close associates (within the meaning of the Listing Rules), whether placing an order in their own names or through nominees; (ii) (in the case of an IPO or a placing of securities of a class new to listing) "connected clients" (within the meaning of the Listing Rules); (iii) such other persons to whom the allocation of shares will be subject to restrictions or require prior consent from SEHK under the Listing Rules and other regulatory requirements or guidance issued by SEHK from time to time ("**SEHK Requirements**") (e.g. a connected person of a listed issuer).

<sup>3</sup> The placee categories include (in addition to the Restricted Investors) (i) existing or past employees of the issuer, (ii) customers or clients of the issuer, (iii) suppliers of the issuer, (iv) independent price setter

falling under those placee categories to place orders in this offering, (ii) carefully review the order book during the bookbuilding process and inform us of any of such persons and any material changes to information provided, (iii) carefully review the final order book and confirm whether any investors fall under the placee categories, and (iv) provide us with sufficient information to assist syndicate members to identify investors falling under such placee categories. If you do not inform us of any such investors, you are deemed to have confirmed that none of the investors or their respective ultimate beneficial owners fall in any of the placee categories and represent that they and their respective ultimate beneficial owners are third parties independent from you. ***[To be added for New Listings (as defined in the Listing Rules) where FINI applies]***

### **Order Book Transparency**

8. In an effort to encourage order book transparency, paragraph 21.3.5 of the SFC Code requires, among other things, that we disclose the identities of all investors in the order book (hence, we cannot place “X-orders” into the order book) and, in the case of omnibus orders, provide information about underlying investors to you and the OCs. Information about underlying investors that may be shared with you is confidential in nature and may contain personal information. You are deemed to have consented to receive this information and undertake to keep this information confidential and to use it for purposes of this offering only.

### **Allocation Policy and Allocation Priorities**

9. [Please find attached a copy of our allocation policy]/[Our allocation policy can be found here *[insert link]*] which will apply to this offering. If we are appointed as an OC, we intend to make allocation recommendations in accordance with the Allocation Priorities (as defined below) and otherwise our allocation policy.
10. If we are appointed as an OC, we will engage with you (and any other OCs) to determine a set of allocation priorities for this transaction (the “**Allocation Priorities**”) taking into account any preferences you may communicate to us. [Each / one] of the OCs will send you the proposed Allocation Priorities [ahead of books open].
11. In case of an IPO, we intend to make allocation recommendations to ensure allocation to Restricted Investors comply with the SEHK Requirements and be made with a view to achieving an open market, an adequate spread of shareholders and the orderly and fair trading of the shares in the secondary market.

### **Rebates and Preferential Treatment**

12. A CMI should not offer any rebates to an investor or pass on any rebates provided by the issuer to an investor. If we are appointed as an OC, we hereby advise you to disclose any rebates (if permissible) and, separately, we hereby advise you to disclose any other

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investors (as defined in Chapter 18C of the Listing Rules), (v) discretionary managed portfolios (as defined in Appendix 6 to the Listing Rules), (vi) discretionary trusts, (vii) PRC governmental bodies (as defined in Chapter 19A of the Listing Rules), (viii) cornerstone investors and (ix) non-SFC authorised funds.

preferential treatment of any CMIs or targeted investors (such as guaranteed allocations) (if permissible).

13. Separately, if we are appointed as an OC, we hereby advise you, pursuant to paragraph 21.4.4(b)(ii) of the SFC Code, against providing any arrangement whereby investors would be enabled to pay [(in the case of an IPO) less than the total consideration as specified in the listing documents or (in the case of a non-IPO ECM transaction) different prices] for each of the shares allocated.
14. In the case of an IPO, pursuant to note 2 to Rule 12.08 of the Listing Rules, you will be required to include in the allotment results announcement a confirmation from your directors that, to the best of their knowledge, no rebate has been, directly or indirectly, provided by you, your controlling shareholders, directors or syndicate members to any investors or the public and the consideration payable by them for each share subscribed for or purchased is the same as the final offer price.

### **Proprietary Orders**

15. Paragraph 21.3.10(b) of the SFC Code requires that a CMI give priority to satisfying investor orders over its own proprietary orders<sup>4</sup> and those of its group companies (if such proprietary orders are permitted under the SEHK Requirements) and to ensure that such orders would not negatively impact the price discovery process. Paragraph 21.4.4(b)(iii) includes a similar obligation for OCs. You should note that allocation to a CMI's proprietary orders (if permitted under the SEHK Requirements) may, however, be prioritised over investor orders based on your allocation preference (as the issuer), provided you make specific instructions to this effect.

### **Marketing and Investor Targeting Strategy**

16. The proposed Marketing and Investor Targeting Strategy for order generation for this transaction includes [institutional investors, long-only investors, sovereign wealth funds, pension funds, hedge funds, corporates, private banks/broking companies, family offices and high net worth individuals]<sup>5</sup>, in each case, subject to the applicable SEHK Requirements and the selling restrictions in the [offering circular].

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<sup>4</sup> The SFC considers proprietary orders as those from: (i) a CMI's trading desk; (ii) a CMI's treasury function; and (iii) a CMI's asset management arm where a CMI or its group company has a substantial interest (i.e. more than 50% interest). Proprietary orders of a CMI's group company, however, exclude orders placed by the group company on behalf of its investor clients or funds and portfolios under its management, but include orders placed on behalf of funds and portfolios in which a CMI or its group company has a substantial interest (i.e. more than 50% interest).

<sup>5</sup> Investor types to be discussed and to be tailored on live transactions.