

Costs (for reference ONLY)

Costs of going public

Listing on HKEx is an expensive process. Professional fees must be paid to sponsors, legal counsel, accountants, and for other requirements. The total fees can vary greatly and depend upon the size of the new issue. Companies should expect to allocate to listing expenses between 5% and 30% of the capital raised. Each of the fees to the sponsors, legal advisers, and accountants can be several hundred thousands of U.S. dollars or more.

Underwriting

The typical underwriting commission is 2.5% to 3.5% of the capital raised.

Sponsorship

A company needs to pay a fee to the Sponsor for carrying out due diligence and acting as the main liaison with the regulatory authority. The Sponsor is usually responsible for coordinating the entire IPO process and drafting the prospectus.

Legal counsel

At least two law firms are usually involved, with one firm acting on behalf of the company and a different firm acting on behalf of the Sponsor. The firm acting on behalf of the company is primarily responsible for providing a legal opinion on various aspect of the company, such as the legality and enforceability of material contracts. The firm acting on behalf of the Sponsor carries out verification of the prospectus.

Audit and accounting

The company needs to pay a fee for the audits of its underlying financial statements. If there are subsidiaries included in the listing group, they must also be audited. In addition, the company will pay a fee to the Reporting Accountants to prepare an Accountants' Report on the company's financial information. Since the latest audited financial information must be no older than six months from the date of the prospectus, additional fees will be incurred if further interim audited financial information need to be included in the Accountants' Report.

Printing

Printing costs can be a significant cost of going public. These costs include type setting and printing the prospectus and the share certificates. Draft prospectuses are typed by a professional company after the final version is cleared by the regulatory authorities and then bulk printed into the prospectus on high-quality paper. Bilingual prospectuses are produced and so professional translators are required.

Director & Officer liability insurance

It is increasingly common for listed companies to purchase Director & Officer (D&O) liability insurance, which adds to the costs of going public.

Miscellaneous

Other costs of going public include listing fees paid to the HKEx, professional fees if a valuation report is needed, and the costs of investor relations, among other expenses.