

Listing Decisions Series 5-1 -- Reliance on the income from an associated company to fulfill the trading record requirement (Updated in September 1999) (Withdrawn in September 2009)

[Contents discussed codified into Main Board Rule 8.05(1) in April 1999]

Summary	
Name of Party	Company A - an applicant for new listing
Subject	Reliance on the income from an associated company to fulfill the trading record requirement
Listing Rule	Rule 8.05
Decision	Company A was unable to meet the trading record requirement under Rule 8.05 and its listing application should therefore be rejected

Summary of Facts

Company A was principally engaged in the distribution of pharmaceutical products and the manufacture of pharmaceutical precursors.

Company A relied heavily on income from an associated company, a sino-foreign joint venture which was held as to 80% by third parties and as to 20% by Company A. The associated company contributed over 70% of Company A's total profits in each of the three financial years during the trading record period. If the results of the associated company were to be excluded, Company A would not meet the trading record requirement under Rule 8.05.

Analysis

The trading record of an applicant for the purpose of Rule 8.05 should be based on the results of the businesses operated and controlled by the applicant. In this case, Company A did not control the associated company so it could not rely on the income from the associated company to fulfill the trading record requirement under Rule 8.05.

Decision

As Company A was unable to meet the trading record requirement under Rule 8.05, its listing application should be rejected.

Rule 8.05 was since amended in April 99 to clarify this interpretation.