

HKE_x LISTING DECISION
Cite as HKE_x-LD50-3 (March of 2006)

(Withdrawn in July 2018; superseded by HKEX-GL86-16)

Summary	
Name of Party	Company A – a Main Board listing applicant and its subsidiaries (the ‘Group’)
Subject	Whether a disclosure of the historical dividend yield in the summary section of the prospectus without explanation of its basis of calculation or likelihood of continuing in the future was misleading?
Listing Rules	Listing Rules 2.03(3) and 2.13(2)
Decision	<p>The Exchange found that any disclosure of dividend yield information in Company A’s prospectus should be accompanied by the following information on the same page of the prospectus:</p> <ul style="list-style-type: none">a. that the dividend yield calculation included a one-time historical payment during the three financial year track record period;b. that the dividend declared during the third year of the track record period had been funded by borrowings, rather than cashflow from operation of the business of Company A; andc. a statement regarding whether the dividend yield would be subject to changes in the future.

SUMMARY OF FACTS

1. Company A stated in the summary section of its draft prospectus that it had a dividend yield of a certain percentage. Annotation to this disclosure explained that such dividend yield was calculated based on the stated offer price and the historical dividends per share information presented under the heading ‘Dividend Policy’ in the financial information section of the prospectus.
2. In the financial information section of Company A’s prospectus, it was stated under the heading of ‘Dividend Policy’ that the directors of Company A expected

that dividend distribution pattern in the future might not be the same as the past dividend distribution pattern and previous dividend distributions made should not be used as the basis for or reference to the Company's future dividend policy. The directors considered that the amount of future dividends to be declared by the Group would depend on the Group's financial results, working capital, cash positions and capital requirements.

3. Throughout the whole track record period, there had only been one dividend payment declared.
4. The dividend payment was funded by bank borrowings, rather than by cashflow from operation of the business of Company A.

THE ISSUE RAISED FOR CONSIDERATION

5. Whether a disclosure of the historical dividend yield in the summary section of the prospectus without explanation of its basis of calculation or likelihood of continuing in the future was misleading?

APPLICABLE LISTING RULES OR PRINCIPLE

6. Listing Rule 2.03(3) states that:

The Exchange Listing Rules reflect currently acceptable standards in the market place and are designed to ensure that investors have and can maintain confidence in the market and in particular that:

- (3) investors and the public are kept fully informed by listed issuers and, in the case of a guaranteed issue, the guarantors of all factors which might affect their interests- and in particular that immediate disclosure is made of any information which might reasonably be expected to have a material effect on market activity, in and the prices of, listed securities;
7. Listing Rule 2.13(2) requires, among other things, that the information contained in a listing document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirements, the issuer must not, among other things:-
 - (a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;

- (b) present favourable possibilities as certain or as more probable than is likely to be the case;
- (c) present projections without sufficient qualification or explanation; or
- (d) present risk factors in a misleading way.

THE ANALYSIS

- 8. The Exchange noted that the dividend yield information disclosed in the summary section of the draft prospectus was based on historical information and did not represent the prospective expectation of the management regarding dividend distribution.
- 9. In light of the fact that there had not been any dividend payment for the first two years of the three year track record period, the Exchange considered that the proposed disclosure of a dividend yield without further information would clearly be misleading.
- 10. The Exchange considered that the dividend yield information presented in the prospectus must include disclosure of all relevant information regarding the basis of calculation on the same page of the prospectus.

THE DECISION

- 11. The Exchange found that the disclosure of dividend yield information in Company A's prospectus should be accompanied by the following information on the same page of the prospectus:
 - a. that the dividend yield calculation included a one-time historical payment during the three financial year track record period;
 - b. that the dividend declared during the third year of the track record period had been funded by borrowings, rather than cashflow from operation of the business of Company A; and
 - c. a statement regarding whether the dividend yield would be subject to changes in the future.