
Prospectus Simplification and Plain Language Seminar

Case Study – Chow Tai Fook



Presentation by Teresa Ko, 19 March 2012



What is wrong with Hong Kong prospectuses?

- Far too long
- An information dump
- Disclosure is “cut and pasted” from other prospectuses
- Contain a huge amount of immaterial information
- No retail investor reads it

True or False?

- The longest Hong Kong prospectus published last year was 1,556 pages in total
- The average size of a UK or an Australian prospectus is approximately three times shorter than an average Hong Kong prospectus
- Practically most things are repeated three times in a prospectus
- Let's not spend time discussing whether it is material or not, just dump the disclosure in to stop the Stock Exchange asking more questions
- Unless it is in a prospectus that has been approved, you are going to get more questions, so just copy in what was approved before

What does the market think?

Companies in Hong Kong issue “a prospectus the size of a phone book that must be approved by the exchange’s listing committee”

The Economist – March 2011





we need to

CHANGE

Precisely what are the requirements for a formal notice?

- Listing Rule 12.04 requires a formal notice to include:
 - name and country of incorporation of the issuer
 - number and title of securities for which listing is sought
 - addresses of where the prospectus can be found
 - date of the notice and of which dealings are to commence
 - statements that an application for listing has been made, no offer or invitation made and applications will only be considered on the basis of the prospectus
 - name and address of the sponsor
- Section 38(B) of the Companies Ordinance contains similar content requirements
- Guidance Letter HKEX GL24-11 (March 2011) states that formal notice should contain what Listing Rule 12.04 and Section 38(B) require and contents must be:
 - concise
 - easy to read
 - in plain language
- All other information can be removed and cross references can be used

Legally what must a Hong Kong prospectus contain?

ONLY the matters specified in the Third Schedule
of the Hong Kong Companies Ordinance

What do the Listing Rules require?

- Rule 2.13 : Information in the prospectus must be (i) clearly presented and in the plain language format specified by the SFC/ Stock Exchange; (ii) accurate and complete in all material respects and not misleading or deceptive
- Rule 11.06 : specific disclosure items provided in Appendix 1 of the LRs
- Rule 11.07 : “such particulars and information which..., is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the issuer and of its profits and losses and of the rights attaching to such securities”
- Rule 11.08 : special requirements for mineral companies, overseas issuers, PRC issuers and investment companies
- Rule 11.11 : such disclosure as the SEHK may in its discretion require or permit the omission of

An opportunity came along – Chow Tai Fook

Chow Tai Fook Jewellery Group Limited
(Incorporated in the Cayman Islands with limited liability)
Stock code: 1929
Global Offering

周大福
CHOW TAI FOOK



Joint Global Coordinators: Goldman Sachs, HSBC, J.P.Morgan, Deutsche Bank

Joint Sponsors (in alphabetical order): Goldman Sachs, HSBC, J.P.Morgan

Joint Bookrunners (in alphabetical order): Citi, CREDIT SUISSE, Deutsche Bank, Goldman Sachs, HSBC, J.P.Morgan, UBS

Financial Advisers: ROTHSCHILD, VMS

Listed on 15 December 2011

Raised US\$2bn

Prospectus 368 pages in total

Chow Tai Fook – changing without changes to the Listing Rules or the law

- Our aim was to change without amending or modifying any legal or regulatory requirements in Hong Kong
- Our guiding principles were:
 - Avoid duplication and repetition
 - Only include material information
 - Don't include irrelevant or immaterial information
 - Adhere to the prospectus contents requirements
 - Focus on quality rather than quantity of disclosure
 - Draft the prospectus rather than cut and paste it from elsewhere
 - Stand up for good disclosure against the regulators

Chow Tai Fook – How did we do it?

IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



China Telecom Corporation Limited*

中國電信股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering: 7,556,400,000 (subject to adjustment and the Over-allotment Option)
 Number of Hong Kong Offer Shares: 577,820,000 (subject to adjustment)
 Maximum offer price: HK\$1.69 per Hong Kong Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus 1% brokerage, SFC transaction levy of 0.007% and a Hong Kong Stock Exchange trading fee of 0.005%
 Nominal value: RMB1.00 each
 Stock code: 728

Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

China International Capital Corporation Limited

Merrill Lynch Far East Limited

Morgan Stanley Dean Witter Asia Limited

Joint Sponsors and Joint Lead Managers
(in alphabetical order)

China International Capital Corporation (Hong Kong) Limited

Merrill Lynch Far East Limited

Morgan Stanley Dean Witter Asia Limited

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix IX to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and us on the Price Determination Date. It will be set at a level slightly lower than, but will after addition of brokerage of 1%, SFC transaction levy of 0.007% and Hong Kong Stock Exchange trading fee of 0.005%, be equal to the price per H Share of the ADSs, subject to any necessary rounding. The Price Determination Date is expected to be November 7, 2002 and, in any event, not later than November 12, 2002. The Offer Price will be not more than HK\$1.69 and is currently expected to be not less than HK\$1.47. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$1.69 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.007% and Hong Kong Stock Exchange trading fee of 0.005% subject to refund if the Offer Price should be lower than HK\$1.69.

Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about November 7, 2002, which is during the period in which applications may be made for Hong Kong Offer Shares. An announcement will be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) as soon as practicable after the Offer Price is fixed. Notwithstanding that the Offer Price may be fixed before the latest time for lodging applications under the Hong Kong Public Offering at below the maximum offer price of HK\$1.69 per H Share payable by applicants for H Shares under the Hong Kong Public Offering, applicants who apply for H Shares after the Price Determination Date must pay on application the maximum offer price of HK\$1.69 per H Share plus the brokerage of 1%, SFC transaction levy of 0.007% and Hong Kong Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK\$1.47 to HK\$1.69) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the Sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.

If, for whatever reason, we, the Selling Shareholders and the Joint Global Coordinators are not able to agree on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed.

We are incorporated, and our businesses are located, in the People's Republic of China ("PRC"). Potential investors should be aware of the differences in the legal, economic, and financial systems between the mainland of the PRC and Hong Kong, and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the Sections headed "Risk Factors" and "Regulation" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Hong Kong Offer Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the Section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

November 6, 2002

* for identification only

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

周大福

CHOW TAI FOOK

CHOW TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering: 1,050,000,000 Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
 Number of Hong Kong Offer Shares: 52,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
 Number of International Offer Shares: 997,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option and the Over-allotment Option)
 Maximum Offer Price: HK\$21.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% payable in full on application in Hong Kong dollars and subject to refund)

Nominal value: HK\$1.00 per Share

Stock code: 1929

Joint Global Coordinators

Goldman Sachs

HSBC

J.P.Morgan

Deutsche Bank

Joint Sponsors
(in alphabetical order)

Goldman Sachs

HSBC

J.P.Morgan

Joint Bookrunners
(in alphabetical order)

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CREDIT SUISSE

Deutsche Bank

Goldman Sachs

HSBC

J.P.Morgan

UBS

Financial Advisers

ROTHSCHILD

VMS

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI – Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (i) to QIBs in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act or (ii) outside the United States in offshore transactions in accordance with Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination".

5 December 2011

Chow Tai Fook – What is a Summary?

- The Oxford English dictionary defines a “summary” as:
 - *“a statement or account...containing or comprising the chief points or the sum and substance of a matter (now usually with implication of brevity)”*
- Webster’s dictionary defines a “summary” as:
 - *“A brief statement that presents the main points in a concise form”*

Chow Tai Fook – How was the Summary changed?

- We wrote a summary, instead of copying and pasting other parts of the prospectus
- We provided what investors might want to know to decide whether they might be interested in the offer
- We did not repeat all of the strengths and strategies (just highlights)
- We cross referenced to the risk factors rather than provide headings which are not meaningful
- We created an offering statistics section in tabulated form
- We simplified disclosure of financial information to key line items
- Summary was only 9 pages

Chow Tai Fook – Stock Exchange guidance

Guidance Letter GL 27-12 (January 2012) endorsed and built upon the changes made in the Chow Tai Fook prospectus

- Revised guidance recommending drafting to ensure that the summary section is:
 - comprehensible and readable
 - concise, easy to read and in plain language
 - enables investors to decide whether they might be interested in the offer, and therefore wish to read the rest of the prospectus
- Should omit:
 - multiple pages of detailed financial information
 - a full list of risk factors
 - dividend policy except pay out ratio and other material matters
 - an industry section – detailed bases and assumptions of forecasts and other information
 - sections cut and paste from elsewhere
- Encourage the use of tables, charts, bullet points and examples
- Should generally be no more than 10 pages long

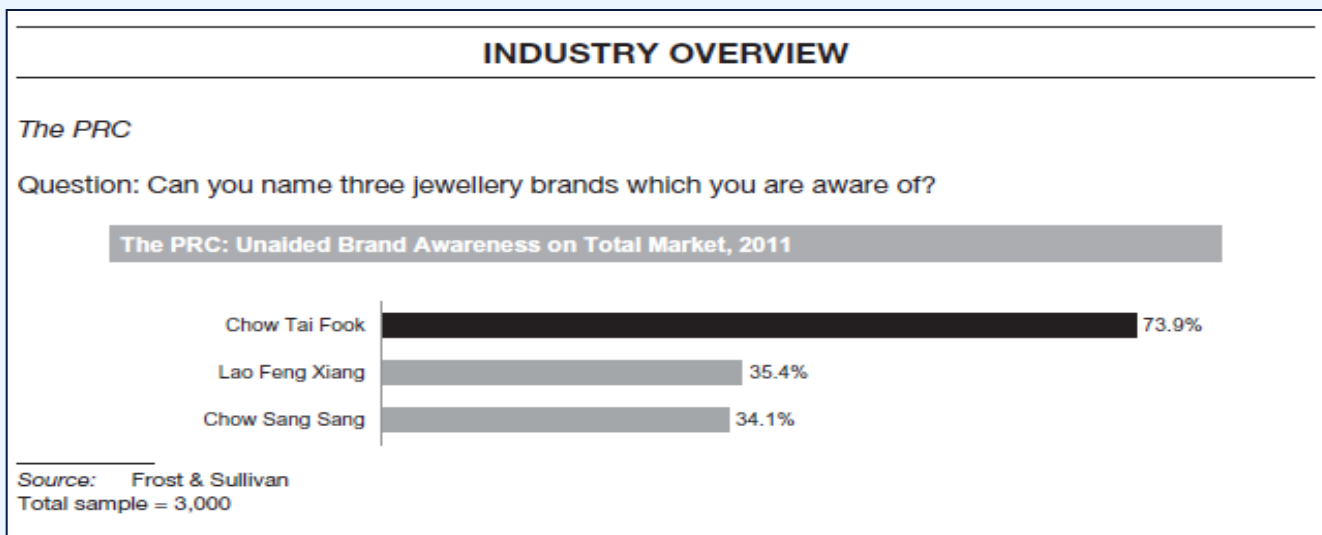
Shows that the Stock Exchange is fully behind this initiative!

Chow Tai Fook – Risk Factors

- Not intended to be a comprehensive catalogue of all of the potential risks that an issuer or comparable industry player faces
- Issuers should not feel “unless we have what they have and a few more, we are missing out”
- Risk factors in other prospectuses are at best a reference point and each issuer must disclose risk factors directly applicable to its own business, its position in the market and industry
- Give appropriate context and background but limit excessive description; and give investors a way to assess the magnitude of the risk
- Avoid boilerplate that could apply to any company, and present the risks in concrete terms

Chow Tai Fook – Industry section

- Often unconnected to the drafting of the rest of the prospectus
- Growing in length and is sometimes even longer than the business section
- Chow Tai Fook industry section started with around 50 pages and was streamlined to 21 pages
- Detailed discussion replaced with charts, graphs, pie charts and tables to make disclosure easier to understand

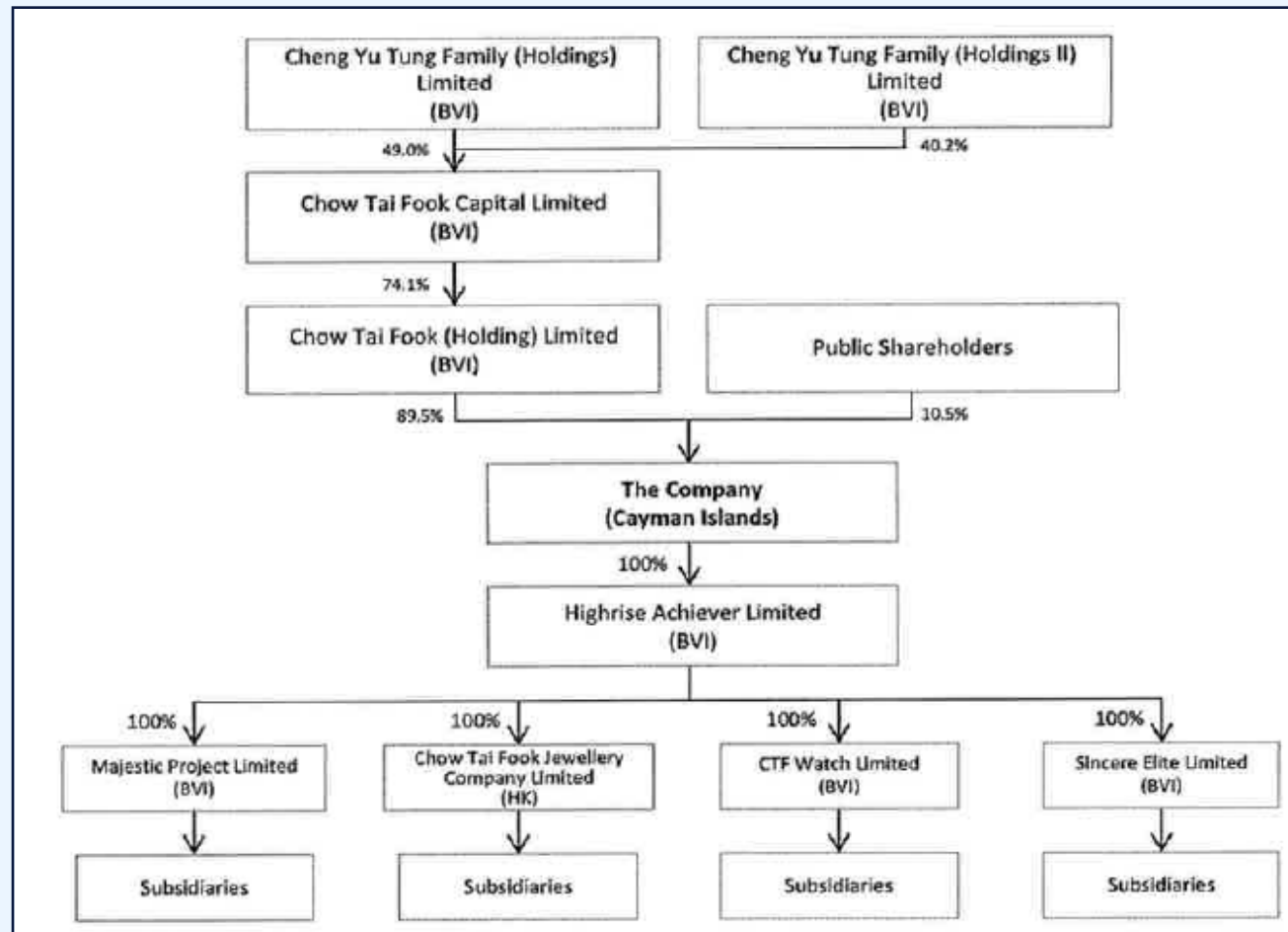


Chow Tai Fook – Corporate Structure and Reorganisation

- The Listing Rules only requires “a brief description of the group covering the issuer’s position within that group” (paragraph 28(2) of Appendix 1A)
- Checklist I.B requires a corporate structure chart and details of any internal reorganisation – this has led to the inclusion of very detailed and often unnecessary disclosure
- No new PE investors or unusual change in ownership
- We used two (before and after) corporate charts to show the internal reorganisation and a simplified structure to show the group post listing
- Only one page of history (in bullets points) and one page on reorganisation

Chow Tai Fook – Corporate Structure and Reorganisation

A simplified structure of the Chow Tai Fook group following listing



Chow Tai Fook – Directors and Management

- Tabulate directors information at the beginning of the section
- Bullet directorships within each biography
- Keep an eye on the length of CVs

DIRECTORS AND SENIOR MANAGEMENT			
DIRECTORS			
Our Board of Directors consists of 15 Directors, eight of whom are executive Directors, three of whom are non-executive Directors and four of whom are independent non-executive Directors. The following table sets out certain information concerning our Directors:			
Name	Age	Year joined	Position
Dato' Dr. Cheng Yu-Tung (鄭裕彤)	86	1947	Honorary Chairman and Non-executive Director
Dr. Cheng Kar-Shun, Henry (鄭家純)	64	1971	Chairman and Executive Director
Mr. Wong Siu-Kee, Kent (黃紹基)	55	1977	Managing Director
Mr. Cheng Chi-Kong, Adrian (鄭志剛)	32	2007	Executive Director
Mr. Cheng Chi-Heng, Conroy (鄭志恒)	34	2007	Executive Director
Mr. Chan Sai-Cheong (陳世昌)	49	1985	Executive Director
Mr. Chan Hiu-Sang, Albert (陳曉生)	61	1977	Executive Director
Mr. Cheng Ping-Hai, Hamilton (鄭炳熙)	37	2004	Executive Director
Mr. Suen Chi-Keung, Peter (孫志強)	46	1985	Executive Director
Mr. Cheng Kam-Biu, Wilson (鄭錦標)	53	1979	Non-executive Director
Mr. Koo Tong-Fat (古堂發)	61	1985	Non-executive Director
Dr. Fung Kwok-King, Victor (馮國經)	66	2011	Independent non-executive Director
Mr. Kwong Che-Keung, Gordon (鄺志強)	62	2011	Independent non-executive Director
Mr. Lam Kin-Fung, Jeffrey (林健鋒)	60	2011	Independent non-executive Director
Mr. Or Ching-Fai, Raymond (何清輝)	61	2011	Independent non-executive Director
Honorary Chairman and Non-executive Director			
<p>Dato' Dr. Cheng Yu-Tung (鄭裕彤), GBM, aged 86, was appointed as our Honorary Chairman and non-executive Director on 26 July 2011. Dr. Cheng is responsible for advising on overall strategic planning and management of our Group.</p> <p>Dr. Cheng joined our Group in January 1947 as a trainee and rose through the ranks to become the permanent chairman of CTF HK in March 1961.</p> <p>Dr. Cheng holds the following positions in companies listed on the Main Board of the Stock Exchange:</p> <ul style="list-style-type: none"> • chairman and executive director of NWD; • non-executive director of Shun Tak Holdings Limited; • non-executive director of SJM Holdings Limited; • chairman and executive director of Melbourne Enterprises Limited; and • chairman and non-executive director of Lifestyle International. <p>Dr. Cheng is the permanent chairman of CTFE and a director of CYT Family Holdings, CYT Family Holdings II, CTF Capital and CTF Holding. Dr. Cheng was also an independent non-executive director of Hang Seng Bank Limited (a company listed on the Main Board of the Stock Exchange) until 6 May 2009. Dr. Cheng was awarded the Grand Bauhinia Medal by the Government of Hong Kong in July 2008.</p> <p>Internationally, Dr. Cheng has served as the Honorary Consul of Bhutan in Hong Kong from May 2004 to April 2011, and was awarded the Commandeur de L'ordre des Arts et des Lettres in April 1996 and the Chevalier de la Legion d'Honneur in June 2001 by the Government of France. Dr. Cheng was awarded Honorary Professor from Peking Union Medical School in October 1995, Honorary</p>			

Chow Tai Fook – How to apply for Hong Kong Offer Shares

- Eliminated repetition and tried to simplify but still too long
- Need to continue to work with CCASS to simplify this section
- SFC, Stock Exchange and CCASS are continuing to work to simplify the Application Forms

Please use this form if you want the Hong Kong Offer Shares to be issued in your name 閣下欲以本身名義登記將獲發行的香港發售股份，請使用本表格

NOTE: Before filling in this form, please read the Prospectus and the Application Form carefully. The Application Form is to be filled in by the Applicant in accordance with the instructions in the Prospectus and the Application Form. The Application Form is to be filled in by the Applicant in accordance with the instructions in the Prospectus and the Application Form. The Application Form is to be filled in by the Applicant in accordance with the instructions in the Prospectus and the Application Form.

Staple your payment here 請將放款票訂在此

周大福
CHOW TAI FOOK
CHOW TAI FOOK JEWELLERY GROUP LIMITED
周大福珠寶集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	1,078,000,000 (subject to the Over-allotment Option and the Share Adjustment Option)
Number of Hong Kong Offer Shares	12,500,000 (subject to the Share Adjustment Option)
Number of International Offer Shares	1,065,500,000 (subject to the Over-allotment Option and the Share Adjustment Option)
Minimum Offer Price	HK\$12.00 per share (plus 1.0% transaction costs, SFC transaction levy of 0.005% and Hong Kong Stock Exchange trading fee of 0.01%)
Minimum value	payable in full on application of Hong Kong dollars and subject to refund
Stock Code	1929

全球發售
全球發售項下總發售股份數目 (視乎全球發售超額認購及股份調整權而定)
香港發售股份數目 12,500,000 股 (視乎股份調整權而定)
國際發售股份數目 1,065,500,000 股 (視乎全球發售超額認購及股份調整權而定)
最高發售額 總發售額為 12.5 億港元，另加 1.0% 經紀佣金、0.005% 證監會交易費及 0.01% 香港交易所交易費
最低發售額 (若以 10 股為單位) 1,000 股 (或 10 股之倍數)
股份代號 1929

Application Form 申請表格




Applications will be accepted until 12:00 noon on Thursday, 8 December 2011
You must read the conditions and instructions attached to this Application Form and the Prospectus before you apply.
To be valid, you must complete all applicable parts of the form.
Please write clearly in English and in black ink.

截止接受申請時間為
2011年12月8日(星期四)中午十二時正。
閣下申請時必須細閱本申請表格及招股說明書所載的條件及指示。
本申請表格各適用部分必須以英文及
黑色墨水填寫，字跡必須清楚。
方為有效。

Chow Tai Fook – Statutory and General Information

- We largely moved to the Statutory and General Information section:
 - Waivers
 - Substantial Shareholders
 - Share Capital
 - Parties involved in the Global Offering
 - Information on the Global Offering
- IP rights – disclosure reduced from an initial 39 pages of trademarks to 3 trademarks to satisfy “particulars of any trade marks, patents or other intellectual or industrial rights which are material in relation to the Group’s business

Chow Tai Fook – Statutory and General Information

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		14	Chow Tai Fook Jewellery Company Limited	Hong Kong	301625689	28/05/2020
2.		14	Chow Tai Fook Jewellery Company Limited	Macau	N/045327	25/01/2017
3.		14	Chow Tai Fook Jewellery Company Limited	PRC	7788122	27/12/2020

Trade marks

- Guidance Letter HKEX-GL30-12 (February 2012) encourages issuers and their advisors to discuss material IP rights and make more meaningful disclosure to investors

Chow Tai Fook – Other Changes

- Contents section – put on one page
- Definitions section and glossary – put at back of the prospectus
- Expected timetable – shortened to one ¼ page with notes
- Responsibility Statement – elevated it to a stand alone page
- Summary of constitution and Cayman law – streamlined to reflect the prospectus contents requirements in the Listing Rules

What more can we do together?

- Include industry analysis in the Business section
- Standardise “How To Apply for Hong Kong Offer Shares”
- Put more on the issuer’s website and include cross reference, e.g. summary of constitution and laws and summary of share options schemes
- Increase the number of documents on display
- Tackle the technical style and length of Competent Persons Reports and the length of Property Valuation Report (if still required)
- Use more tables, charts and tabulations
- Make incorporation by reference possible for prospectuses!

Recent Stock Exchange steps to assist this initiative

- Property Valuation Reports no longer mandatory following amendments to the Listing Rules and the Companies Ordinance
- Guidance Paper on drafting of the “Summary and Highlights” section of the prospectus (GL27-12)
- Guidance Paper on disclosure of Intellectual Property Rights in a prospectus (GL30-12)
- Listing Committee Annual Report 2011 – prospectus simplification continues to be on the 2012 agenda
- Guidance Paper on prospectus disclosure by restaurant businesses (GL28-12)

and this seminar...

Practical Tips

- Get everyone's buy-in at kick-off meeting
- Work out what the agreed key messages are, then draft, not the other way round
- Keep asking yourself, what are you trying to tell your investors (and regulators)
- Try not to have any paragraph that is longer than 15 lines
- Use headings and sub-headings
- Avoid providing repetitive, onerous and overlong disclosure
- Use precedents for reference, rather than for content

If we follow these tips, then all parties can spend less time at the Printers...

Please let me know if you have any questions?



Teresa Ko

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