

## **HKEX GUIDANCE LETTER**

**HKEX-GL49-13 (January 2013) (Updated in July 2013) – effective for applications submitted on or after 1 October 2013**

*(Withdrawn in May 2016, superseded by HKEX-GL86-16)*

<b>Subject</b>	<b>Simplification Series - Disclosure in listing documents for IPO cases – the “History and Development” section</b>
<b>Listing Rules and Regulations</b>	<b>Main Board Rules 2.13(2) and 11.07 GEM Rules 14.08(7) and 17.56(2)</b>
<b>Related Publications</b>	<b>HKEX-LD43-3 – Contractual Arrangements</b>
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**Important note:** *This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Division on a confidential basis for an interpretation of the Listing Rules or this letter.*

### **1. Purpose**

1.1 This letter provides guidance on the disclosure in the “History and Development” section in listing documents. Specifically, it aims to ensure that the section:-

- is concise, easy to read and in plain language; and
- is relevant to applicants, and provides sufficient information to help investors understand the history and development of the applicants.

1.2 The Exchange expects applicants to follow this letter when preparing their listing applications. A listing document that does not follow this guidance may be considered not substantially complete as required under the Listing Rules. (*Updated in July 2013*).

### **2. Relevant Listing Rules**

2.1 Main Board Rule 2.13(2) (GEM Rule 17.56(2)) requires that the information contained in the listing document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the applicant 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; or
  - (c) present projections without sufficient qualification or explanation.
- 2.2 Main Board Rule 11.07 (GEM Rule 14.08(7)) sets out an overriding general duty of disclosure in a listing document.

### **3. Guidance**

- 3.1 We have noted in previous listing documents that applicants often included information which was not material and took up many pages. Only historical developments which investors will need to know to make an informed investment decision should be disclosed. The “History and Development” section should only include material information on an applicant’s establishment, development, corporate structure and shareholding. It should also be in plain language.
- 3.2 Below are some guidance and principles on disclosure generally found in the contents of the “History and Development” section in listing documents, and applicants only need to make relevant disclosures and not on all information mentioned below. Applicants should make cross-references to provide more detail on the subject matter and to avoid duplication of information in the listing documents.

#### ***Disclosures in listing document***

- 3.3 A listing document should usually include the following information:

##### ***(a) Establishment and development of an applicant and its major subsidiaries***

- when and by whom the listing group was founded
- information on founders (i.e. background and relevant industry experience if the information is not disclosed in the “Directors and Senior Management” section)
- how the founders financed the business when it was first established
- the listing group’s material developments/milestones in a tabular form
- incorporation and commencement of business of each member of the listing group that made material contribution to the listing group’s track record results  
***(Updated in July 2013)***

##### ***(b) Corporate structure***

- an applicant’s corporate structure charts before and after major reorganizations, and upon completion of the share offer
- the identities and principal business activities of an applicant and its major subsidiaries/jointly controlled entities for listing
- by way of notes to the corporate structure chart, the identities of the minority shareholders of each non-wholly owned subsidiary and whether they are independent third parties
- where there are many subsidiaries, an explanation for the need for a complex group structure

- where structured contracts/contractual arrangements are used, please refer to Listing Decision HKEX-LD43-3
- the material steps of reorganization (i.e. incorporation, share swap, disposal and acquisition)
- whether approvals from the relevant authorities have been obtained and/or that the reorganization complies with the relevant laws and regulations, with the support of a legal opinion, if applicable
- the date of completion of the registration under Circular No. 75 of PRC State Administration of Foreign Exchange, if applicable (**Updated in July 2013**)
- reasons for excluding certain companies/businesses from the listing group if they are in the same or ancillary businesses

*(c) Acquisitions, disposals and mergers*

- major acquisitions, disposals and mergers (including the basis and amount of consideration involved, settlement date of the consideration, etc.), the reasons for the disposals and their significance to the applicant (**Updated in July 2013**)
- whether each of the acquisitions, disposals and mergers has been properly and legally completed and settled (**Updated in July 2013**)
- the transferor/transferee's relationship with the applicant, its shareholders or connected persons or the fact that they are independent third parties (**Updated in July 2013**)
- whether approvals from the relevant authorities have been obtained

*(d) Shareholders*

- shareholders' identities
- relationship amongst shareholders (e.g. family members, relatives, and parties acting in concert)
- for major shareholding changes<sup>1</sup> during the track record period, the background of the then shareholders, their relationships with the applicant and its connected persons, reasons for the shareholding transfer, amount, settlement date and basis of consideration involved. The use of tables, charts, diagrams and arrows to ensure clear and concise disclosure is recommended
- pre-IPO investments as set out in Guidance Letters HKEX-GL43-12 and HKEX-GL44-12 (**Updated in July 2013**)
- details of outstanding options, warrants and convertibles (**Updated in July 2013**)

*(e) Listing on other exchanges*

- reasons for an applicant to seek listing on the Exchange
- listing status (e.g. privatized or if delisted, why and when it was delisted)
- compliance record during an applicant's listing on other exchanges and whether there is any matter that should be brought to our attention
- details of the privatization, if applicable (including the amounts paid to the investors and how it was financed, the purchase price offered to the investors)

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<sup>1</sup> Material shareholding changes which are important for investors to make an informed decision on the applicant