

## HKEX LISTING DECISION

HKEX-LD101-2016 (published in April 2016)

[Streamlined and incorporated into the Guide for New Listing Applicants in January 2024]

Summary	
<b>Parties</b>	Company A to Company C – Main Board and GEM listing applicants whose applications were returned by the Exchange in 2015
<b>Issue</b>	To provide guidance on why the Exchange returned certain listing applications
<b>Listing Rules</b>	Main Board Rule 9.03(3) GEM Rules 12.09 and 12.14
<b>Related Publications</b>	HKEx-LD84-2014 and HKEx-LD91-2015
<b>Decision</b>	The Exchange returned the applications.

### Purpose

1. This Listing Decision in the Appendix sets out the reasons why the Exchange returned certain listing applications from 1 January to 31 December 2015. For the reasons listing applications were returned before this period, please refer to the listing decisions stated in “Related Publications” above.

### APPLICABLE RULES, REGULATIONS AND PRINCIPLES

2. Main Board Rule 9.03(3) (GEM Rule 12.09(1)) requires an applicant to submit a listing application form, an Application Proof and all other relevant documents under Main Board Rule 9.10A(1)(GEM Rules 12.22 and 12.23), and the information in these documents must be substantially complete except in relation to information that by its nature can only be finalised and incorporated at a later date.
3. If the Exchange decides this information is not substantially complete, the Exchange will not continue to review any documents relating to the application. All documents, including the Form A1 (Form 5A for GEM cases) (except for the retention of a copy of these documents for the Exchange’s record) submitted to the Exchange will be returned to the sponsor (GEM Rule 12.09(2)).

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Returned cases in 2015	
Company	Reasons for return
Company A  (a Main Board Applicant)	<p>Company A provided financial services.</p> <p>The application was returned due to omission of material information of loans guaranteed by connected persons:</p> <p>Company A disclosed in its Application Proof that neither it nor its related parties had guaranteed any loan granted to its independent customers during the track record period.</p> <p>After receiving comments from the Exchange, Company A revised its draft listing document to disclose that connected persons had provided guarantees for loans to independent customers which accounted for 3.5% to 11.1% of the total amount of loans granted during the track record period.</p> <p>The Exchange considered that transactions involving connected persons should be subject to a higher level of scrutiny as they are normally in a position to significantly influence the management or the decision of the applicant. Material information does not necessarily require the amount involved to be large.</p> <p>There were also associated concerns on the effectiveness of Company A's corporate governance measures as there was no guarantee agreement between Company A and the connected persons, while Company A entered into guarantee agreements with non-connected persons. No information had been provided as to the applicable terms and conditions of the guarantees from the connected persons, including how they could be enforced in the absence of agreements. Further, there was no information on whether the guaranteed loans would continue and whether they would constitute connected transactions upon listing.</p>
Company B  (a GEM Applicant)	<p>Company B provided conferencing services.</p> <p>The application was returned due to omission of the following material information in the Application Proof relating to a Company B's director, who was also its chairman and controlling shareholder ("<b>Director A</b>"):</p> <p>(i) a compulsory winding up order granted by the court against a company in which Director A was an executive director and a minority shareholder; and</p> <p>(ii) certain non-compliances of the Listing Rules by two Hong Kong listed companies during the period when Director A was a director of these companies.</p> <p>The Exchange considered the omitted information to be material as it would enable the Exchange and potential investors to assess the integrity, character and competency of Director A.</p>

Returned cases in 2015	
Company	Reasons for return
Company C  (a GEM Applicant)	<p>Company C was in the catering business.</p> <p>The application was returned because Company C failed to provide, at the time of filing its Form 5A, a profit forecast memorandum covering the period up to the year ending [<i>year T+1</i>] as required under GEM Rule 12.22(14b) based on its proposed listing timetable as stated in its Form 5A.</p> <p>GEM Rule 12.22(14b) requires where an Application Proof does not contain a profit forecast, an applicant to provide a final or an advanced draft of profit forecast memorandum covering the period up to the forthcoming financial year end date after the date of listing and cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document. Company C's profit forecast memorandum only covered the year ending [<i>year T</i>].</p> <p>This is the same reason for a return in 2014. See details of Company K in HKEx-LD91-2015.</p>