

## HKE<sub>x</sub> LISTING DECISION

Cite as HKE<sub>x</sub>-LD22-1 (February 2001) (Updated in September 2009 and withdrawn in January 2024)

*[This listing decision is withdrawn.]*

Summary	
Name of party	Company A – a listed company
Subject	Whether provisions made against advances to affiliated companies should be taken into account when calculating the percentage of a listed issuer's net assets which is represented by such advances and other forms of financial assistance to affiliated companies
Listing Rule	Practice Note 19, paragraph 3.3 <sup>1</sup>
Decision	The measurement of advances for the purpose of determining whether a general disclosure obligation has arisen should normally be based on the gross amount of such advances before any provisions

### Summary of facts

Company A enquired whether provisions which it had made against certain advances to affiliated companies, as defined in Practice Note 19 [*now Rule 13.11*], should be taken into account for the purpose of determining whether the aggregate amount of its financial assistance to affiliated companies exceeded 25% of its consolidated net assets and whether a general disclosure obligation had thus arisen under paragraph 2 of the Listing Agreement [*now Rule 13.09*] as specified under paragraph 3.3 of Practice Note 19<sup>1</sup>.

### Analysis

Paragraph 3.3 of Practice Note 19<sup>1</sup> provides that a general disclosure obligation will arise where financial assistance to affiliated companies of an issuer and guarantees given for facilities granted to affiliated companies of an issuer together in aggregate exceed 25% of the issuer's net assets.

The spirit of paragraph 3.3 of Practice Note 19<sup>1</sup> is that investors should be provided with the information necessary to enable them to identify and assess the aggregate exposure (i.e. advances before provisions) of a listed issuer in relation to its affiliated companies.

### Decision

Unless information on material advances and any related provisions has already been disclosed in an announcement or circular to shareholders, the measurement of advances for the purpose of determining whether a general disclosure obligation has arisen under paragraph 2 of the Listing Agreement [*now Rule 13.09*] as specified under paragraph 3.3 of Practice Note 19<sup>1</sup> should normally be based on the gross amount of such advances before any provisions.

The above measurement principle would also apply to advances to an entity falling within the scope of paragraph 3.2.1 of Practice Note 19<sup>2</sup>.

*Notes:*

1. *This rule was amended in March 2004 and March 2006. The relevant rule after the rule amendments is Rule 13.16, under which the disclosure obligations will be triggered where the relevant advance(s) exceed(s) 8% under the assets ratio as defined in Rule 14.07(1). (Added in September 2009)*
2. *This rule was amended in March 2004 and March 2006. The relevant rule after the rule amendments is Rule 13.13. (Added in September 2009)*