

# Chapter 14

## EQUITY SECURITIES

### LISTING DOCUMENTS

#### *Preliminary*

14.01 This Chapter sets out the Exchange's requirements for the contents of listing documents relating to equity securities. Issuers are reminded that a listing document which is a prospectus within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance must also comply with and be registered in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Applicants should note that they are required to confirm in their application that all requisite information has been included in the listing document or will be included before the final version is submitted for review.

14.02 In order to allow the Exchange sufficient time to consider an application for listing:—

- (1) [Repealed 1 October 2013]
- (2) listed issuers are reminded that the listing document in anticipated final form must be lodged with the Exchange at least 10 clear business days prior to the intended date of its finalisation for publication.

No material amendment to the final proof listing document will be allowed without the consent of the Exchange.

14.02A The Exchange shall be authorised by new applicants and listed issuers to file their "applications" (as defined in section 2 of the Statutory Rules) and those corporate disclosure materials within the meaning of sections 7(1) and (2) of the Statutory Rules received by the Exchange with the Commission pursuant to sections 5(2) and 7(3) of the Statutory Rules respectively and new applicants and listed issuers shall be deemed to have agreed to the above by filing such applications and corporate disclosure materials with the Exchange. The authorisation aforementioned shall not be altered or revoked in any way unless prior written approval has been obtained from the Exchange and the Exchange shall have the absolute discretion to grant such approval. In addition, the Exchange may require and new applicants and listed issuers shall execute such documents in favour of the Exchange perfecting the above authorisation as the Exchange may require. Applications and relevant corporate disclosure materials shall be filed with the Exchange in such manner as the Exchange may from time to time prescribe.

#### **Definition**

14.03 A listing document is defined in rule 1.01 as a prospectus, circular or any equivalent document (including the composite document in relation to a scheme of arrangement and/or an introduction document) issued or proposed to be issued in connection with an application for listing, or a sale or transfer of treasury shares by a listed issuer. Issuers are recommended to consult the Exchange at the earliest opportunity if they are in any doubt as to whether a particular document constitutes a listing document as so defined.

### **Disclaimer**

14.04 Any listing document must contain on its front cover a prominent and legible disclaimer statement in the form set out in rule 2.19.

### **GEM characteristics**

14.05 Any listing document must contain, at a prominent position in the document, and in bold type, a statement concerning the characteristics of GEM in the form set out in rule 2.20.

### **When required**

14.06 The methods of listing, or sale or transfer of treasury shares required by the GEM Listing Rules to be supported by a listing document are:

- (1) an offer for subscription;
- (2) an offer for sale;
- (3) a placing of securities of a class new to listing;
- (4) an introduction;
- (5) a rights issue;
- (6) an open offer;
- (7) a capitalisation issue (including in the form of a scrip dividend) or a bonus issue of warrants;
- (8) an exchange or substitution of securities (arising from consolidation or sub-division of shares or a reduction of share capital or otherwise but excluding a conversion of securities into securities of a class already listed); and
- (9) any deemed new listing under the GEM Listing Rules.

14.07 Other methods of listing, or sale or transfer of treasury shares are not, save as the Exchange may otherwise direct, required by the GEM Listing Rules to be supported by a listing document, but if a listing document is otherwise required or proposed to be issued it must comply with the relevant requirements of this Chapter.

### **Contents**

14.08 In the case of a new applicant, the listing document is required to include the following:

- (1) the statements required pursuant to rule 14.04 (disclaimer) and rule 14.05 (GEM characteristics);
- (2) [Repealed 1 July 2008];
- (3) the statement of business objectives, as described in rules 14.19 to 14.21;
- (4) subject to rule 14.11(6), all of the specific items of information which are set out in Appendix D1A;
- (5) appropriate risk factors, taking into consideration the matters set out in rule 14.22;
- (6) if applicable, the information required by virtue of rule 14.10; and

- (7) subject to rule 14.13 and to the extent not included by virtue of the above, such particulars and information which, according to the particular nature of the applicant and the securities for which listing is sought, is necessary to enable an investor to make an informed assessment of:—
- (a) the activities, profits and losses, assets and liabilities, financial position, management and prospects of the applicant; and
  - (b) the rights and trading arrangements attaching to such securities.

*Note: The Exchange may consider an application for a waiver from the disclosure requirement of the issue price or offer price under rule 14.08 and paragraph 15(3)(c) of Appendix D1A for issuers with, or seeking, a dual listing, subject to the conditions that:—*

- (a) the Commission grants a certificate of exemption from strict compliance with the relevant requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) the listing document discloses (i) the maximum offer price (also in the application forms); (ii) when the final offer price will be determined and how it will be published; (iii) the issuer's historical share prices during the trading record period and up to the latest practicable date; (iv) trading liquidity; (v) the determinants of the final offer price; and
- (c) investors will be able to access the latest market price of the issuer's shares.

14.09 In the case of an issuer some part of whose share capital is already listed on GEM, the listing document is required to include the following:

- (1) the statements required pursuant to rule 14.04 (disclaimer) and rule 14.05 (GEM characteristics);
- (2) subject to rule 14.11(1) to (5), all of the specific items of information which are set out in Appendix D1B;
- (3) in circumstances where the listing document is to be issued in conjunction with the raising of new capital by the issuer, appropriate risk factors, taking into consideration the matters set out in rule 14.22;
- (4) if applicable, the information required by virtue of rule 14.10; and
- (5) subject to rule 14.13 and to the extent not included by virtue of the above, such particulars and information which, according to the particular nature of the issuer and the securities to be issued or sold or transferred out of treasury, is necessary to enable an investor to make an informed assessment of:
  - (a) the activities, profits and losses, assets and liabilities, financial position, management and prospects of the issuer; and
  - (b) the rights and trading arrangements attaching to such securities.

14.10 Special requirements for listing documents issued by overseas issuers and PRC issuers are set out in Chapters 24 and 25 respectively.

14.11 The following items of information may be omitted in the following specific cases:—

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|---|---|
| (1) rights issues   | The following paragraphs of Appendix D1B: 8, 24, 26(1), 26(3), 26(4), 26(5), 37 and 42(4)   |
| (2) open offers   | As for rights issues  |
| (3) capitalisation issues (including in the form of scrip dividends) and bonus issues of warrants   | The following paragraphs of Appendix D1B: 3 to 5, 7, 8, 11, 12, 13, 15, 18, 19, 22 to 43  |
| (4) exchanges or substitutions  | As for capitalisation issues  |
| (5) placings by or on behalf of a listed issuer of securities of a class already listed where a prospectus or other listing document is otherwise required or issued  | As for rights issues  |
| (6) Listing documents supporting an introduction in the circumstances set out in rule 10.18(3) where the consolidated assets and liabilities of the issuer are substantially the same as the consolidated assets and liabilities of the listed issuer or issuers whose securities have been exchanged | The following paragraphs of Appendix D1A: 8(1), 21, 33, 35 and 37, provided that the information required by paragraph 31(3) of Appendix D1B is included.<br><br><i>Note: See also rules 24.05(6) and 24.09(5).</i> |

14.12 Negative statements are required only where so indicated in Appendix D1A or D1B.

14.13 The requirements of rule 14.08(7)(a) shall not apply to an introduction in the circumstances set out in rule 10.18(3) and the requirements of rule 14.09(5)(a) shall not apply to a capitalisation issue (including in the form of a scrip dividend) or a bonus issue of warrants, or an exchange or substitution (arising from consolidation or sub-division of shares of securities or a capital reduction of existing listed securities or otherwise).

14.14 The Exchange reserves the right to require disclosure of such additional or alternative items of information as it considers appropriate in any particular case. The Exchange also has the right to permit the omission or modification of items of information to suit the circumstances of a particular case. Where permission is sought to the omission or modification of items of information, the listing document, in the form desired, may not be issued until such permission has been granted by the Exchange. Issuers are encouraged, through their Sponsors where so retained, to seek informal and confidential guidance from the Exchange at the earliest opportunity.

14.15 [Repealed 1 July 2008]

14.16 [Repealed 1 July 2008]

14.17 [Repealed 1 July 2008]

### Statement of business objectives

14.19 A new applicant must include in its listing document a statement of business objectives, having due regard to the disclosure requirements under Rule 18.08A in its annual reports and interim reports, and set out at least the following information:—

- (1) general information as to:
  - (a) the overall business objectives of the new applicant; and
  - (b) the market potential for the new applicant's business over the period comprising the remainder of the current financial year of the applicant and the 2 financial years thereafter;
- (2) a detailed description of the new applicant's objectives for each of the products, services or activities (and any other objectives) analysed over the period comprising the remainder of the current financial year of the applicant and the 2 financial years thereafter;

*Notes: 1 In the event that the applicant wishes to set its business objectives over a longer time frame, it shall be free to do so, provided always that the time frame envisaged is clearly set out in the statement of business objectives.*

*2 The statement of business objectives should specify particular strategies, critical paths or milestones against which the applicant's progress may, in the future, be compared.*

*3 Without prejudice to the generality of Note 2, new applicants are encouraged to include information as to the projected trends which they foresee for their products, services or activities. These projected trends should be:—*

*(a) analysed by reference to such of the measurements of progress as the new applicant and its Sponsor decide are appropriate; and*

*(b) set out, as far as practicable, in compliance with rule 14.21.*

*4 It is for the Sponsor to assist the new applicant in determining appropriate descriptions of the business objectives and, in particular the measurements of progress in respect of which the new applicant might appropriately project trends for the term of the statement of business objectives.*

*5 New applicants and their Sponsors must be alert to the possibility that projections set out in the statement of business objectives, whether read in isolation or together with other projections or details contained in the statement, may constitute a profit forecast. If a profit forecast is made, the new applicant must comply with the provisions of rules 14.28 to 14.31.*

- (3) a detailed explanation as to how the new applicant proposes to achieve its stated business objectives for the period identified by the new applicant; and

- (4) a clear explanation of all bases and assumptions (including commercial assumptions) in support of the new applicant's assessment of its market and growth potential, business objectives and/or description of how it proposes to achieve its business objectives.

*Notes: 1 The bases and assumptions must provide all relevant and useful information to investors to help them in forming a view as to the reasonableness and reliability of the statement of business objectives. Such bases and assumptions should draw the investor's attention to and where possible quantify those uncertain factors which could materially affect the achievement by the new applicant of its business objectives within the time frame indicated.*

- 2 The bases and assumptions should be specific rather than general, definite rather than vague. It will not normally be acceptable for assumptions to relate to matters which the directors, by virtue of their particular knowledge and experience in the business, are best able to take a view on or are able to exercise control over.*

14.20 The statement of business objectives need not comprise nor include a profit forecast by the new applicant. However, to the extent that it does comprise or include a profit forecast or should the new applicant otherwise wish to make a profit forecast in the listing document, the new applicant must comply with the provisions set out in rules 14.28 to 14.31.

14.21 The information provided in the statement of business objectives should, so far as practicable, be set out by reference to the new applicant's half-year end (in the event this follows listing) and full-year end in respect of its current financial year and the half-year ends and full-year ends of the 2 financial years thereafter.

*Note: The purpose of this exercise is to facilitate future comparison between the issuer's statement of business objectives and its actual performance and future published financial information (see rule 18.08A).*

### **Risk factors**

14.22 In the case of a new applicant, or a listed issuer proposing to issue a listing document in conjunction with the raising of new capital, the listing document should fully set out, explain and give appropriate prominence to any risk factors which should be drawn to shareholders' and prospective investors' attention, having regard, as a minimum, to the following principles:—

- (1) whether or not there are risks that are relevant to the issuer itself, including as to matters such as reliance on particular products or services, the concentration of expertise within the issuer and continued sources of funding;
- (2) whether or not there are risks that are relevant to the issuer's business, including risks attendant with the products, services or activities themselves and risks relevant to the industry or sectors in which the issuer operates; and
- (3) whether or not there are risks on a macro-scale that are relevant to the issuer, including geographic, economic, political and exchange rates, currency controls or other financial risks relevant to the issuer or the markets in which it operates.

*Note: Risk factors should be capable of being read in isolation and should not be accompanied by statements or qualifications concerning steps that the issuer proposes to implement in order to alleviate such risks. Information in this regard may however be contained elsewhere in the listing document.*

### **Responsibility**

14.23 Directors of the issuer, including any proposed director who is named as such in the listing document, are required, collectively and individually, to accept full responsibility for the listing document and a statement (in the form set out in rule 2.18) to this effect must be included in the listing document.

### **Subsequent events**

14.24 If at any time after the issue of the listing document or a supplementary listing document as provided for by this rule and before the commencement of dealings in any securities, the issuer becomes aware that:—

- (1) there has been a significant change affecting any matter contained in the listing document;  
or
- (2) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in the listing document if it had arisen before the listing document was issued,

the issuer shall, as soon as practicable, submit to the Exchange for its review and, once the Exchange has confirmed that it has no further comments thereon, issue a supplementary listing document giving details of the change or new matter, unless the Exchange approves any other course of action. In such circumstances, the Exchange may, at its discretion, withdraw any listing approval granted or impose any conditions which it considers appropriate.

For this purpose “significant” means significant for the purpose of making an informed assessment of the matters mentioned in rules 14.08(7) or 14.09(5).

### **Language and format**

14.25 Every listing document must either be in the English language and be accompanied by a Chinese translation or be in the Chinese language and be accompanied by an English translation.

14.26 The information contained in the listing document should be clearly presented and should be in the plain language format specified or recommended by the Exchange and/or the Commission from time to time.

### **Illustrations**

14.27 A listing document may include illustrations of a pictorial or graphic nature provided that such illustrations are not misleading or likely to mislead in the form and context in which they are included.

### **Profit forecasts**

14.28 No listing document is required to contain a profit forecast. No listing document may contain any reference (general or particular) to future profits or contain dividend forecasts based on an assumed future level of profits unless supported by a formal profit forecast. Dividend forecasts not based on assumed future profits are not subject to this rule.

14.29 The issuer must determine in advance with its financial adviser or Sponsor whether to include a profit forecast in a listing document. Where a profit forecast appears in any listing document, it must be clear, unambiguous and presented in an explicit manner and the principal assumptions, including commercial assumptions, upon which it is based, must be stated. The accounting policies and calculations for the forecast must be reviewed and reported on by the reporting accountants and their report must be set out. The Sponsor or financial adviser must report in addition that it has satisfied itself that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out.

A “profit forecast” for this purpose means any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses either expressly or by reference to previous profits or losses or any other benchmark or point of reference. It also includes any profit estimate, being any estimate of profits or losses for a financial period which has expired but for which the results have not yet been audited or published. Any valuation of assets (except for property interests (as defined in rule 8.01(3)) or businesses acquired by an issuer based on discounted cash flows or projections of profits, earnings or cash flows is regarded as a profit forecast.

14.30 A profit forecast appearing in a listing document should normally cover a period which is coterminous with the issuer’s financial year-end. If, exceptionally the profit forecast period ends at a half year-end, the interim report for that half year must be audited. Profit forecast periods not ending on the financial year-end or half year-end will not be permitted.

14.31 The assumptions upon which any profit forecast appearing in a listing document are based must provide useful information to investors to help them in forming a view as to the reasonableness and reliability of the forecast. Such assumptions should draw the investors’ attention to, and where possible quantify, those uncertain factors which could materially disturb the ultimate achievement of the forecast. The assumptions should be specific rather than general, definite rather than vague. All embracing assumptions and those relating to the general accuracy of the estimates made in the profit forecast should be avoided. Furthermore it will not normally be acceptable for assumptions to relate to matters which the directors, by virtue of their particular knowledge and experience in the business, are best able to take a view on or are able to exercise control over since such matters should be reflected directly in the profit forecast itself.