

HKEX GUIDANCE LETTER

HKEX-GL-90-18 (February 2018)

Subject	Pricing Flexibility for Initial Public Offerings (“IPO”)
Listing Rules	Paragraph 15(2)(c) of Appendix 1A of Main Board Rules Paragraph 15(3)(c) of Appendix 1A of GEM Rules Main Board Rule 2.13, GEM Rule 2.18
Related Publications	Listing Decisions HKEX-LD61-1 and HKEX-LD86-1
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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 Department on a confidential basis for an interpretation of the Listing Rules or this letter.*

1. Purpose

- 1.1 This letter sets out the conditions under which an applicant is allowed to price the final offer price in an IPO below the indicative offer price or the bottom end of the indicative offer price range disclosed in the prospectus without triggering the withdrawal mechanism detailed in paragraph 2.4 below (“**Withdrawal Mechanism**”). Such pricing flexibility mechanism for IPO is referred to as “Pricing Flexibility Mechanism” below.
- 1.2 The Pricing Flexibility Mechanism is intended to provide an applicant with additional flexibility in pricing its shares to facilitate the determination of the optimal price (which reflects the price discovered through the book-building process) without resorting to the Withdrawal Mechanism which is considered cumbersome and leads to delay in the listing timetable. Investors’ interests are safeguarded through the conditions imposed under the Pricing Flexibility Mechanism, including price reduction limits and enhanced disclosure in the prospectus and other related documents (see section 4 below).
- 1.3 The Pricing Flexibility Mechanism set out in this letter is implemented on a pilot basis and will be subject to review by the Listing Department after 12 months of implementation.

2. Relevant Listing Rules and Listing Decisions

- 2.1 Main Board Rule 2.13 (GEM Rule 2.18) states that the information contained in the document must be accurate and complete in material respects.
- 2.2 Paragraph 15(2)(c) of Appendix 1A to the Main Board Rules (Paragraph 15(3)(c) of Appendix 1A to the GEM Rules) states that the issue price or offer price of each security must be disclosed in the prospectus.
- 2.3 Listing Decisions HKEX-LD61-1 and HKEX-LD86-1 set out that a change in the offer price constitutes a material change of circumstances if there was no disclosure of such anticipated change in the prospectus. An applicant is required to adopt the Withdrawal Mechanism if it proceeds with its IPO.
- 2.4 The Withdrawal Mechanism requires the applicant, to (a) issue a supplemental prospectus informing potential investors of, among other things, the changes to the IPO, including the change in the offer price and offer period and the impact of such change on the sufficiency of working capital and use of proceeds; (b) extend the offer period to allow potential investors to have sufficient time to consider and requires them to confirm their applications under an opt-in approach¹, that is, to positively confirm their applications for shares in light of the change in the offer price.

3. Current Practice

- 3.1 The Listing Rules require that a prospectus must disclose an offer price for shares to be listed. In practice, we also allow an offer price range to be included in the prospectus and there is generally no restriction on the size of the range.
- 3.2 If an applicant decides to change the share offer price, the Withdrawal Mechanism will apply. This requires the applicant to issue a supplemental prospectus providing investors with updated information in light of the revision to the indicative offer price or offer price range (as applicable), and extend the offer period and give investors who have applied for its shares a right to withdraw their applications using an “opt-in” approach.
- 3.3 The Withdrawal Mechanism can be burdensome and costly.
- 3.4 Alternatively, the applicant may terminate its share offering and re-launch it some other time when it sees appropriate, but this may result

¹ An opt-in approach automatically withdraws an investor's application for shares in an applicant. The applicant must obtain positive confirmation from the investors confirming their desire to proceed before it can bind them to their applications. If the subscribers do not re-confirm their applications, their applications will be rejected.

in both delay and increased costs, including as a result of information (such as the track record period accounts) having gone “stale”.

4. Guidance

4.1 Applicants have an option to adopt the Pricing Flexibility Mechanism, without triggering the Withdrawal Mechanism. Salient features of the Pricing Flexibility Mechanism are as follows:

- (a) applicants are allowed to price up to 10% below the indicative offer price or up to 10% below the bottom end of the indicative offer price range (subject to (b) below) disclosed in the prospectus;
- (b) where an indicative price range is used, the range must be set with the top end of the range not more than 30% above the bottom end of the range;
- (c) an applicant is required to make disclosures as described in paragraph 4.2 below, including the issue of a separate pricing announcement (“**Price Reduction Announcement**”) as soon as practicable after the final offer price is determined and before the issue of the allotment results announcement; and
- (d) for the avoidance of doubt, where the final offer price is more than 10% below the indicative offer price or more than 10% below the bottom end of the indicative offer price range, the Withdrawal Mechanism will apply if the applicant proceeds with the IPO.

4.2 Disclosure requirements (see the suggested disclosure template in the **Attachment**):

- (a) *in the prospectus, application forms and formal notice:*
 - (i) clear and prominent disclosure of the indicative offer price or offer price range and the possibility of downward adjustment of the indicative offer price or the bottom end of the offer price range (“**Downward Adjusted Offer Price**”);
- (b) *in the prospectus and application forms:*
 - (i) detailed disclosure of how the Downward Adjusted Offer Price will affect the applicant including the change in the net proceeds from the offer and any associated change in the use of the listing proceeds, the impact on the applicant’s future expansion plans, sufficiency of working capital, cash flow and (if applicable) profit forecasts, and an appropriate risk factor;
 - (ii) a clear statement that if the final offer price falls more than 10% below the indicative offer price or more than 10% below the bottom end of the indicative offer price range, the

Withdrawal Mechanism will apply if the applicant proceeds with the IPO; and

- (iii) a clear statement that the Pricing Flexibility Mechanism does not affect the applicant's obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

(c) *in the Price Reduction Announcement:*

- (i) the Downward Adjusted Offer Price;
- (ii) revisions to the net proceeds, use of proceeds, and market capitalisation; and
- (iii) confirmation from each director of the applicant that, after taking into account the Downward Adjusted Offer Price, there is no material change of circumstances after the issue of the prospectus and there is sufficient working capital for the applicant's requirements for at least 12 months from the date of the prospectus.

Although we encourage applicants to include disclosure as set out in this letter in their draft prospectus, application form and formal notice as early as possible, we appreciate that an applicant may adopt the Pricing Flexibility Mechanism only after the listing hearing. If there is a variation to the proposed disclosure in this letter, please consult the Exchange for guidance to avoid any unnecessary delay in the listing timetable.

4.3 The Exchange has to be satisfied:

- (a) with the relevant disclosure in the prospectus and related documents mentioned in paragraph 4.2; and
- (b) that the Downward Adjusted Offer Price will not affect the applicant's suitability for listing.

4.4 Applicants planning to use the Pricing Flexibility Mechanism must take into account the reduced proceeds when preparing:

- (a) the forecast memoranda required under Main Board Rule 9.11(10(a)&(b)) (GEM Rule 12.22(14a)&(14b)); and
- (b) the directors' statement on working capital sufficiency required under paragraph 36 of Part A of Appendix I to the Main Board and GEM Rules.

4.5 For the avoidance of doubt, applicants who do not choose to use the Pricing Flexibility Mechanism can continue to adopt the current pricing

mechanism for IPO. If the final offer price is not the indicative offer price or is outside the indicative offer price range in the prospectus and applicants wish to proceed with their IPO at the final offer price, the Withdrawal Mechanism will apply. Also, for the avoidance of doubt, the Pricing Flexibility Mechanism does not entitle applicants to price the IPO shares above the indicative price or indicative price range.

Suggested templates for the required disclosures (as shown underlined):

A. Extracts of White Form

B. Extracts of Prospectus:

- Important section
- Summary and other sections
- Definitions section
- Risk Factors section
- Information About the Global Offering section
- Financial Information section
- Future Plans and Use of Proceeds section
- Structure of the Global Offering section

C. Extracts of Formal Notice

D. Price Reduction Announcement

These templates are for reference only. Listing applicants and their sponsors should exercise judgment as to the applicability of the suggested templates to their cases

For illustrative purpose, the following fixed offer price and offer price range are used in the suggested templates:

Scenario 1: Offer Price (Fixed) HK\$6.50

Scenario 2: Offer Price (Range) HK\$6.50 to HK\$8.45

A. Suggested Template: Extracts of White Form

Please use this form if you want the Hong Kong Offer Shares to be issued in your name
如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: Unless defined herein, terms and expressions used in this application form bear the same as those defined in the prospectus of [Company name] (the "Company") dated [date] (the "Prospectus").

註：除本申請表格界定外，本申請表格所用的詞語及措辭具有[公司名稱]（「本公司」）於[日期]刊發的招股章程（「招股章程」）所界定的相同涵義。

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Nothing in this Application Form or the Prospectus constitutes an offer to sell or the solicitation of an offer to buy nor shall there be any sale of Hong Kong Offer Shares in any jurisdiction in which such offer, solicitation or sales would be unlawful. This Application Form and the Prospectus are not for distribution, directly or indirectly, in or into the United States, nor is this application an offer of Shares for sale in the United States. The Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "U.S. Securities Act") and may not be offered or sold except in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

本申請表格或招股章程所載者概不構成出售要約或要約購買之游說，而在任何作出有關要約、游說或出售即屬違法之司法權區內，概不得出售任何香港發售股份。本申請表格及招股章程不得在美國境內或向美國直接或間接派發，而此項申請亦不是在美國出售股份之要約。香港發售股份未曾亦將不會根據 1933 年美國證券法（經修訂）（「美國證券法」）登記，除在根據美國證券法 S 規例之離岸交易中提呈發售或出售外，概不可供提呈發售或出售。

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Copies of the Prospectus, all related Application Forms and the other documents specified in the "Documents Delivered to the Registrar of Companies and Available for Inspection" section in Appendix [no.] to the Prospectus, have been registered by the Registrar of Companies in Hong Kong, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), Hong Kong Securities Clearing Company Limited ("HKSCC"), the Securities and Futures Commission of Hong Kong (the "SFC") and the Registrar of Companies of Hong Kong take no responsibility for the contents of these documents. 本申請表格連同其他申請表格、招股章程及招股章程附錄[編號]「送呈公司註冊處處長及備查文件」所述之其他文件已規定送呈香港公司註冊處處長登記。香港交易及結算有限公司、香港聯合交易所有限公司（「香港聯交所」），香港中央結算有限公司（「香港結算」），香港證券及期貨事務監察委員會（「證監會」）及香港公司註冊處處長對該等文件的內容概不負責。

[Company Logo]

[Company Name /公司名稱]

(Incorporated in [jurisdiction] with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the
Global Offering: [number]

Number of Hong Kong Offer Shares: [number]

Number of International Offer Shares: [number] (subject to reallocation)

If Fixed
Offer Price
is used

Offer Price
(subject to a Downward
Offer Price Adjustment¹):

HK\$[6.50] per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable in full on application in Hong Kong dollars and subject to refund)

(If the Offer Price is set at 10% below the indicative Offer Price after making a Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share)*

OR

If Offer
Price range
is used

Offer Price
(subject to a Downward
Offer Price Adjustment¹):

Not more than [HK\$8.45] and not less than [HK\$6.50] per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full at the maximum Offer Price on application in Hong Kong dollars and subject to refund)

(If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share)*

Nominal value: HK\$[nominal price] per Share

Stock Code: [Company's stock code]

A. Suggested Template: Extracts of White Form

Determination of Offer Price and Allocation of Hong Kong Offer Shares

The Offer Price is expected to be set on or around [date]. Applicants are required to pay the maximum Offer Price of [HK\$8.45] for each Hong Kong Offer Share together with 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. If the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriter) on or before [Date], the Global Offering will not proceed. Applications for Hong Kong Offer Shares will not be processed and no allotment of any Hong Kong Offer Shares will be made until the application lists close.

If the Company decides to set the Offer Price after making a Downward Offer Price Adjustment (a reduction of up to 10% below the [indicative Offer Price]* [bottom end of the indicative Offer Price range]*), the Company will separately announce the final Offer Price no later than [date] on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at [www.\[company's website\]](http://www.[company's website]).

Irrespective of whether a Downward Offer Price Adjustment is made, the Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on [Date] on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at [www.\[company's website\]](http://www.[company's website]). Results of allocations in Hong Kong Public Offering, and the Hong Kong Identity Card/passport/Hong Kong business registration numbers of successful applicants (where applicable) will be available on the above website.

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¹ Please refer to Prospectus for definition of "Downward Offer Price Adjustment".

* Delete as appropriate

B. Suggested Template: Extract of Important section in the Prospectus

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

[Company Logo]

[Company Name]

[公司名稱]

(Incorporated in the [jurisdiction] with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering: [number]
Number of Hong Kong Offer Shares: [number]
Number of International Offer Shares: [number] (subject to reallocation)

If Fixed Offer Price is used	<u>Offer Price (subject to a Downward Offer Price Adjustment):</u>	<p>[HK\$[6.50] per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)</p> <p><i><u>(If the Offer Price is set at 10% below the indicative Offer Price after making a Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share)*</u></i></p>
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OR

If Offer Price Range is used	<u>Offer Price (subject to a Downward Offer Price Adjustment):</u>	<p>[HK\$[6.50] to HK\$8.45] per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full at the maximum offer price on application in Hong Kong dollars and subject to refund)</p> <p><i><u>(If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share)*</u></i></p>
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Nominal value: HK\$[nominal price] per Share

Stock code: [Company's stock code]

Joint Global Coordinators

(in alphabetical order)

[Logo and Name of each of Joint Global Coordinators]

Joint Sponsors

(in alphabetical order)

[Logo and Name of each of Joint Sponsors]

Joint Bookrunners

(in alphabetical order)

[Logo and Name of each of Joint Bookrunners]

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.

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".

[Date of prospectus]

B. Suggested Template: Extract of Important section in the Prospectus

EXPECTED TIMETABLE

Latest time to complete electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk	[time, date]
Application lists open.....	[time, date]
Latest time to lodge (i) WHITE and Yellow Application Forms, (ii) complete payment under HK eIPO White Form service and (iii) giving electronic application instructions to HKSCC.....	[time, date]
Expected Price Determination Date.....	[time, date]
<u>Where applicable, announcement of the Offer Price being set below [the indicative Offer Price]*[the bottom end of the indicative Offer Price range]* after making a Downward Offer Price Adjustment (see the section headed “Structure of the Global Offering - Determining the Offer Price” on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.[company’s website] on or before.....</u>	(in a separate announcement) ² [time, date]
(1) Announcement of the final Offer Price; an indication of the level of interest in the International Offering; the level of applications of the Hong Kong Public Offering; and the basis of allocation of the Hong Kong Offer Shares to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.[company’s website] on or before.....	[time, date]
(2) Results of allocations in the Hong Kong Public Offering to be available through a variety of channels (see the section headed “How to Apply for Hong Kong Offer Shares-Publication of Results”.....	[time, date]
(3) Results of allocations in the Hong Kong Public Offering will be available at [the relevant website] , with a “search by ID” function from.....	[time, date]
Despatch of share certificates on or before	[time, date]
Despatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques on or before.....	[time, date]
Dealings in the Shares expected to commence on.....	[time, date]

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Public Offer Shares” in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Public Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

¹ To be announced as soon as practicable after the Price Determination Date but before the allotment result announcement

*Delete as appropriate

B. Suggested Template: Extracts of Offering Statistics and Unaudited Pro Forma Adjusted Combined Net Tangible Assets in the Prospectus

SUMMARY

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and [number] Shares are issued pursuant to the Global Offering; and (ii) [number] Shares are issued and outstanding following the completion of the Global Offering.

	<u>Based on an Offer Price of HK\$[5.85] per Offer Share, after Downward Offer Price Adjustment of 10%</u>	Based on an Offer Price of HK\$[6.50] per Offer Share	[Based on an Offer Price of HK\$[8.45] per Offer Share
	HK\$[•]million	HK\$[•]million	HK\$[•]million
Market capitalisation of our Shares ⁽¹⁾			
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	<u>HK\$[•]</u>	HK\$[•]	HK\$[•]*

Notes:

- (1) The calculation of market capitalisation is based on 3,000,000,000 shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset per Share as at [date] is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that [number] shares are expected to be in issue immediately upon completion of the Global Offering.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our audited combined net tangible assets as of [date] as if it had taken place on that date.

Our unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of [date] or any future date. It is prepared based on our combined net tangible assets as of [date] as set out in the section headed "Accountants' Report" in Appendix I to this prospectus, and adjusted as described below:

	Audited combined net tangible assets attributable to owners of our Company as of [date]⁽¹⁾ (HK\$'000)	Estimated net proceeds from the Global Offering⁽²⁾ (HK\$'000)	Unaudited pro forma adjusted combined net tangible assets⁽³⁾ (HK\$'000)
<u>Based on an Offer Price of HK\$[5.85] per Offer Share, after a Downward Offer Price Adjustment of 10%</u>	[•]	[•]	[•]
Based on an Offer Price of HK\$[6.50] per Offer Share	[•]	[•]	[•]
[Based on an Offer Price of HK\$[8.45] per Offer Share*	[•]	[•]	[•]*

Notes:

- (1) The audited combined net tangible assets attributable to owners of our Company as of [date] is extracted from the Accountants' Report, which is based on the audited combined net assets attributable to owners of our Company as of [date] of approximately HK\$[•] million less the intangible assets of our Group as of [date] of approximately HK\$[•] million.
- (2) The estimated net proceeds from the Global Offering are based on [the Offer Price of HK\$[6.50]]* per Offer Share [HK\$[6.50]]* and HK\$[8.45] per Offer Share, being the lower end and higher end of the indicative Offer Price range respectively]* and also based on an Offer Price of HK\$[5.85] per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the estimated underwriting fees and other related expenses payable by our Company.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [number] Shares in issue immediately following the completion of the Global Offering.

B. Suggested Template: Extracts of Offering Statistics and Unaudited Pro Forma Adjusted Combined Net Tangible Assets in the Prospectus

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by [name], Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on [date] and based on the audited combined net tangible assets attributable to owners of our Company as at [date] as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. This audited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at [date] or at any future date.

	Audited combined net tangible assets attributable to owners of our Company as of [date] ⁽¹⁾ (HK\$'000)	Estimated net proceeds from the Global Offering ⁽²⁾ (HK\$'000)	Unaudited pro forma adjusted combined net tangible assets ⁽³⁾ (HK\$'000)
Based on an Offer Price of HK\$[5.85] per Offer Share, after a Downward Offer Price Adjustment of 10% ⁽⁴⁾	[•]	[•]	[•]
Based on an Offer Price of HK\$[6.50] per Offer Share ⁽⁴⁾	[•]	[•]	[•]
[Based on an Offer Price of HK\$[8.45] per Offer Share—	[•]	[•]	[•]]*

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at [date] are extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the unaudited combined net assets of the Group attributable to the owners of the Company as at [date] of approximately HK\$[•] million less the intangible assets of the Group as at [date] of approximately HK\$[•].
- (2) The estimated net proceeds from the Global Offering are based on [the Offer Price of HK\$[6.50]]* per Offer Share [[HK\$[6.50] and HK\$[8.45] per Offer Share, being the lower end and higher end of the indicative Offer Price range respectively]*, and also based on an Offer Price of HK\$[5.85] per Offer Share after making a Downward Offer Price Adjustment of 10%, after the deduction of total estimated underwriting commissions and fees and other listing related expenses payable by the Company.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at [date] per Share is determined after the adjustments referred to the preceding paragraphs and on the basis of [number] Shares were in issue assuming that the Global Offering have been completed on [date].
- (4) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to [date].

*Delete as appropriate

B. Suggested Template: Extract of Definitions section in the Prospectus

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Application Form(s)” WHITE and YELLOW application form(s) or, where the context so requires, any of them

...

“Director(s)” and “our Director(s)” director(s) of the Company

“Downward Offer Price Adjustment” an adjustment that has the effect of setting the final Offer Price up to 10% below the [indicative Offer Price]* [the bottom end of the indicative Offer Price range]*.

“Offer Price” the final price per Offer Share in [Hong Kong dollars] (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Offer Shares are to be subscribed of [HK\$[*]] per Offer Share / to be determined in the manner described in [Structure of the Global Offering] section of prospectus], subject to any Downward Offer Price Adjustment.

...

“Withdrawal Mechanism” a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information [e.g. the offer price] in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for shares despite the change.

...

*Delete as appropriate

B. Suggested Template: Extracts of Risk Factors section in the Prospectus

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

Possible setting of the Offer Price after making a Downward Offer Price Adjustment

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the [indicative Offer Price/ bottom end of the indicative Offer Price range]* per Offer Share. It is therefore possible that the final Offer Price will be set at [HK\$5.85] per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at [HK\$5.85], the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$[amount] and such reduced proceeds will be used as described in the “Future Plans and Use of Proceeds section – Use of Proceeds” section.

*Delete as appropriate

B. Suggested Template: Extracts of Information About The Global Offering section in the Prospectus

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	[Company name]
The Offering	Global Offering of initially [number] Shares comprising (the International Offering of initially [number] Shares
<u>[Indicative Offer Price]* or [Indicative Offer Price range]*</u>	<u>[HK\$[6.50]]* or [HK\$[6.50] to HK\$[8.45]]*</u>
<u>Downward Offer Price Adjustment</u>	<u>We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.</u> <u>If it is intended to set the final Offer Price at more than 10% below the [indicative Offer Price]* [bottom end of the indicative Offer Price range]*, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.</u>
Shares outstanding after the Offering	[number]
Lock-up undertakings by the Company and the Controlling Shareholders	[details to be provided by the listing applicant].
[Dividend policy]*	[details to be provided by the listing applicant].
Stamp Duty	[details to be provided by the listing applicant].
Application for listing on the Stock Exchange	[details to be provided by the listing applicant].
[Restrictions on offers and offers for sale]*	[details to be provided by the listing applicant].

*Delete as appropriate

B. Suggested Template: Extracts of Financial Information section in the Prospectus

FINANCIAL INFORMATION

Working capital

Our Directors are of the opinion that, taking into consideration [the internal resources and banking facilities presently available to our Group, cash generated from our operation] and the estimated net proceeds to be received by us from the Share Offer (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the [indicative Offer Price]* [the bottom end of the indicative Offer Price range]*), our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

*Delete as appropriate

B. Suggested Template: Extracts of Future Plans and Use of Proceeds section in the Prospectus

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed "Business - Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$[amount] million (assuming an Offer Price of [HK\$[6.50] per Offer Share]* or [HK\$[7.48] per Offer Share, being the mid-point of the indicative Offer Price range]*), after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- (1) approximately [•]% of the net proceeds will be used for [•];
- (2) approximately [•]% of the net proceeds will be used for [•];
- (3) approximately [•]% of the net proceeds will be used for [•]; and
- (4) the remaining amount will be used for providing funding for working capital and other general corporate purposes.

Our Directors believe that we have sufficient mechanism in place to ensure proper application of the use of proceeds on inventories. As part of our internal controls relating to management and procurement of inventory, we have in place a monthly procurement plan for the inventories of each product type. Our procurement plan is based on our anticipated sales level. Our finance department also closely monitors the actual procurement of inventories and the payment amount. Subsequent to the Listing, we will prepare a report on the use of proceeds, including the amount for sourcing and procurement of raw materials and inventory, for our reporting accountants and our audit committee semi-annually.

[In the event that the Offer Price is set at HK\$[6.50] per Offer Share (being the bottom end of the indicative Offer Price range), the estimated net proceeds we will receive will be reduced by approximately HK\$[amount]. In the event that the Offer Price is set at HK\$[8.45] per Offer Share (being the top end of the indicative Offer Price range), the estimated net proceeds we will receive will be increased by approximately HK\$[amount].]* To the extent our net proceeds are either more or less than expected, we will [the listing applicant to provide details on the proposed use of proceeds]. If we make a Downward Offer Price Adjustment to set the final Offer Price at [HK\$5.85] per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK\$[amount]. To the extent our net proceeds are further reduced we will [the listing applicant to provide details on the proposed use of proceeds].

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

* Delete as appropriate

B. Suggested Template: Extracts of Structure of The Global Offering section in the Prospectus

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Determining the Offer Price

Pricing of the Offer Share for the purpose of the various offerings under the Global Offering will be set on the Expected Price Determination Date, which is expected to be on or around [date] but in any event no later than [date], and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

[The Offer Price will be HK\$[6.50] per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Offer Price of HK\$[6.50] per Offer Share, plus 1% brokerage, 0.027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$[amount] for one board lot of [number] Shares. Prospective investors should be aware that the Offer Price to be determined on the Expected Price Determination Date may be, but is not expected to be, lower than Offer Price stated in this prospectus (subject to a Downward Offer Price Adjustment.)]*

If Fixed Offer Price is used

OR

[The Offer Price will not be more than HK\$[8.45] per Offer Share and is expected to be not less than HK\$[6.50] per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$[8.45] per Offer Share plus 1% brokerage, 0.027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$[amount] for one board lot of [number] Shares. Prospective investors should be aware that the Offer Price to be determined on the Expected Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment.)]*

If Offer Price range is used

Announcement of Offer Price Reduction

[The Joint Global Coordinators/Joint Bookrunners]* (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the [indicative Offer Price]* [bottom end of the indicative Offer Price range]*, at any time on or prior to the Expected Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the [indicative Offer Price/ bottom end of the indicative Offer Price range]*, publish on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (company's website) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on [date]. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the [indicative Offer Price]* [indicative Offer Price range]* as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

Announcement of Final Offer Price

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, an indication of the level of interest in the International Offering, the basis of allocation of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares - Despatch/Collection of Share Certificates and Refund Monies".

*Delete as appropriate

C. Suggested Template: Extracts of Formal Notice

This announcement is for information purposes only and does not constitute an offer or an invitation by any person to acquire, purchase or subscribe for securities. Potential investors should read the prospectus dated [date of prospectus] (the “**Prospectus**”) issued by [Name of company] (the “**Company**”) for detailed information about the Company and the Global Offering before deciding whether or not to invest in the shares being offered.

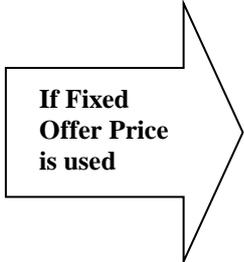
Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Securities Clearing Company Limited (“**HKSCC**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly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

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia). This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”). The securities may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States.

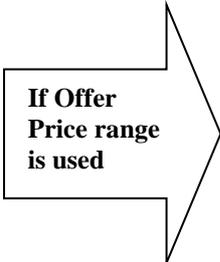
Unless defined herein, terms used in this announcement shall have the same meanings as those defined in the Prospectus.

[Company Logo]
[Company Name /公司名稱]
(Incorporated in [jurisdiction] with limited liability)
Global Offering

**Number of Offer Shares under the
Global Offering: [number]**
Number of Hong Kong Offer Shares: [number]
Number of International Offer Shares: [number] (subject to reallocation)

 <p>If Fixed Offer Price is used</p>	<p><u>Offer Price (subject to a Downward Offer Price Adjustment¹):</u> HK\$[6.50] per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable in full on application in Hong Kong dollars and subject to refund)</p> <p><i><u>(If the Offer Price is set at 10% below the indicative Offer Price after making a Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share)*</u></i></p>
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OR

 <p>If Offer Price range is used</p>	<p><u>[Offer Price (subject to a Downward Offer Price Adjustment¹):</u> Not more than [HK\$8.45] and not less than [HK\$6.50] per Hong Kong Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full at the maximum Offer Price on application in Hong Kong dollars and subject to refund)</p> <p><i><u>(If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share)*</u></i></p>
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Nominal value: HK\$[nominal price] per Share
Stock Code: [Company’s stock code]

Joint Global Coordinators
(in alphabetical order)
[Logo and Name of each of Joint Global Coordinators]

C. Suggested Template: Extracts of Formal Notice

Joint Sponsors

(in alphabetical order)

[Logo and Name of each of Joint Sponsors]

Joint Bookrunners

(in alphabetical order)

[Logo and Name of each of Joint Bookrunners]

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the shares of the Company (the “Shares”), comprising (a) the Hong Kong Public Offering of initially [number] Shares, and (b) the International Offering of initially [number] Shares.

Applications for the Offer Shares will only be considered on the basis of the terms and conditions set out in the Prospectus and related Application Forms.

[The Offer Price will be HK\$[6.50] per Offer Share (subject to a reduction of up to 10%) through making a Downward Offer Price Adjustment as set out in the Prospectus. If the Offer Price is set after making a 10% Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Hong Kong Offer Share. Applicants for the Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$[6.50] per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.]*

If Fixed Offer Price is used

OR

[The Offer Price will not be more than HK\$[8.45] per Offer Share and is currently expected to be not less than HK\$[6.50] (subject to a reduction of up to 10% below the bottom end of the indicative Offer Price range) through making a Downward Offer Price Adjustment as set out in the Prospectus. If the Offer Price is set after making a 10% Downward Offer Price Adjustment, the Offer Price will be HK\$[5.85] per Offer Share. Applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$[8.45] per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.]*

If Offer Price range is used

If the Company decides to reduce the Offer Price by making a Downward Offer Price Adjustment (a reduction of up to 10% below the [indicative Offer Price]* [bottom end of the indicative Offer Price range]*), the Company will separately announce the final Offer Price no later than [date] on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at [[www. Company’s website](http://www.Company’s website)].

If the Offer Price as finally determined is less than [the indicative Offer Price of HK\$[6.50]]* [the maximum indicative Offer Price of HK\$[8.45]]* per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in the Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest of the cheque or bankers cashier order will not be cleared.

Applicants who wish the Hong Kong Offer Shares to be allotted in their own names should (i) complete and sign the **WHITE** Application Forms; or (ii) submit applications online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk. Applicants who wish to have the Hong Kong Offer Shares allotted in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to their CCASS Investor Participant stock accounts or the stock accounts of their designated CCASS Participants maintained in CCASS should either (i) complete and sign the **YELLOW** Application Forms; or (ii) give **electronic application instructions** to HKSCC via CCASS.

Irrespective of whether a Downward Offer Price Adjustment is made, the Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on [date] on the website of the Stock Exchange (www.hkexnews.hk) and on the Company’s website ([www.\[company’s website\]](http://www.[company’s website)). Results of allocations and the Hong Kong identity card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available through a variety of channels from [date]. Dealing in the Shares on the Stock Exchange is expected to commence on [date]. The Shares will be traded in board lots of [number] Shares. The Company will not issue any receipts for sum paid on application or any temporary documents of title.

C. Suggested Template: Extracts of Formal Notice

By order of the Board
[Company Name]
[Name of Chairman]
Chairman

Hong Kong, [date of formal notice]

As of the date of this announcement, the executive Directors are [names of the executive directors], the non-executive Directors are [names of the non-executive directors] and the independent non-executive Directors are [names of the independent non-executive directors].

¹ Please refer to Prospectus for definition of “Downward Offer Price Adjustment”.

D. Suggested Template: Price Reduction Announcement

This announcement is for information purposes only and does not constitute an offer or an invitation by any person to acquire, purchase or subscribe for securities. Potential investors should read the prospectus dated [date of prospectus] (the “Prospectus”) issued by [Company Name] (the “Company”) for detailed information about the Company and the Global Offering before deciding whether or not to invest in the shares being offered.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this announcement, 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 announcement.

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia). This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the “Securities Act”). The securities may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States.

Unless defined herein, terms used in this announcement shall have the same meanings as those defined in the Prospectus.

[Company Logo]

[Company Name /公司名稱]

(Incorporated in [jurisdiction] with limited liability)

(Stock code : xxxxx)

Price Reduction Announcement

Reference is made to the prospectus of [Company Name] (the “Company”) dated [date] (the “Prospectus”). This announcement is supplemental to and should be read in conjunction with the Prospectus. Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the Prospectus.

The Company has made a Downward Offer Price Adjustment. Accordingly, the final Offer Price has been set at HK\$[5.85] per Offer Share which is [10]% below [the indicative Offer Price]* [the bottom end of the indicative Offer Price range]*(exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%).

Based on the final Offer Price of HK\$[5.85] per Offer Share, the related changes to the Global Offering are:

- the net proceeds from the Global Offering to be received by the Company, is reduced to be approximately HK\$[•]. The Company intends to apply the decreased net proceeds for the purposes [the listing applicant should provide details] as disclosed in the prospectus; and
- the market capitalisation of the Shares will be reduced to HK\$[•].

Each Director confirms that, taking into account of the final Offer Price, there is no material change of circumstances after the issue of the Prospectus and there is sufficient working capital for our requirements for at least 12 months from the date of the Prospectus under Paragraph 36 of Part A of Appendix 1 to [Main Board]* or [GEM]* Listing Rules.

By order of the Board
[Company Name]
[Name of Chairman]
Chairman

Hong Kong, [date of announcement]

As of the date of this announcement, the executive Directors are [names of the executive directors], the non-executive Directors are [names of the non-executive directors] and the independent non-executive Directors are [names of the independent non-executive directors].

* Delete as appropriate