

**HKEX LISTING DECISION**  
**HKEX-LD120-2018 (March 2018)**

<b>Summary</b>	
<b>Parties</b>	Company A to Company D – Main Board and GEM listing applicants whose applications were returned by the Exchange in 2017
<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, HKEX-LD91-2015, HKEX-LD101-2016 and HKEX-LD106-2017
<b>Decision</b>	The Exchange returned the listing applications

**PURPOSE**

1. This Listing Decision in the Appendix sets out the reasons the Exchange returned certain listing applications from 1 January to 31 December 2017. For listing applications returned before this period, please refer to the listing decisions stated in “Related Publications” above.

**APPLICABLE LISTING RULES**

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 2017	
Company	Reasons for return
Company A (a GEM Applicant)	<p>Company A had two businesses: (a) a trading business where it acted as a principal, bore the inventory and credit risks, and recorded revenue and cost of sales from the transactions; and (b) an agency business where it acted as an agent, did not bear any inventory and credit risks, and recorded agency income which was more profitable than the trading business.</p> <p>The application was returned because the disclosure in the Application Proof aggregated the two segments into the trading business and had very little disclosure on the agency business. The agency business was not clearly distinguished from the trading business and the different risks and business models were not explained. As such, a reasonable investor cannot appropriately assess Company A's two businesses and make a fully-informed investment decision.</p>
Company B (a Main Board Applicant)	<p>Company B provided brokerage and risk solutions services ("<b>Brokerage Business</b>").</p> <p>In the last year of its track record period ("<b>Year 3</b>"), Company B started to invest in equity and structured products for its own account ("<b>Proprietary Trading Business</b>"), which accounted for a majority of its revenue and profit in Year 3. The Proprietary Trading Business was also expected to be more material to Company B going forward because Company B planned to expand this business segment.</p> <p>The Application Proof was returned because there was insufficient disclosure on the Proprietary Trading Business in relation to (i) Company B's investment strategy; (ii) funding of investments; (iii) risk management; and (iv) the cost and the percentage level of interest in each investment and the actual performance/ return of the investments, to allow investors to make an informed assessment on Company B.</p>
Company C (a Main Board Applicant)	<p>Company C provided system related services. Its proposed listing date was 16 January 2018 and it provided a profit forecast memorandum covering the year ending 31 December 2017.</p> <p>The application was returned because Company C failed to provide, at the time of filing its Form A1, a profit forecast memorandum covering the period up to the forthcoming financial year end date after the date of listing, as required under Rule 9.11(10)(b). Based on its proposed listing timetable as stated in its Form A1, this period should have been the year ending 31 December 2018.</p> <p>This is the same reason two listing applications were returned in 2014 and 2015. See details of Company K in HKEX-LD91-2015 and Company C in HKEX-LD101-2016.</p>

<b>Returned cases in 2017</b>	
<b>Company</b>	<b>Reasons for return</b>
Company D (a GEM Applicant)	<p>The information submitted by Company D was not substantially complete as required under GEM Rule 12.09(1) because Company D failed to include the required financial information in the Application Proof.</p> <p>Based on the proposed timetable set out in Company D's Form 5A, the expected final prospectus date and the expected dealing commencement date are in April 2018. Accordingly, the accountants' report must include the financial information for the two years ending 31 December 2017 according to GEM Rules 7.03(1) and 11.10.</p> <p>As the Application Proof only included financial information covering the two years ended 31 December 2016 and the seven months ended 31 July 2017, the information submitted by Company D was not "substantially complete".</p> <p>This is the same reason five listing applications were returned in 2014 and 2016. See details of Company B and Company J in HKEX-LD91-2015 and Company D, Company E and Company F in HKEX-LD106-2017.</p>