

Hong Kong  
Disclosure of  
Interest Overview

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## Introduction:

Hong Kong Disclosure of Interest regime is set out in **Part XV SFO** (Securities and Futures Ordinance) and requires Substantial Shareholder, Directors and Chief Executives of companies listed in Hong Kong to disclose their interest in shares and debentures of such companies.

The objective of this regime is for investors in **listed corporation** to provide more complete and better-quality information on timely basis to enable them to make informed investors decisions. The regime allows investors to identify the person who control or are in positions to control and those who may be benefit transactions involving associated listed corporations.

## Types of forms:

### Substantial Shareholders:

- a) **Form 1:** If you are an individual with an interest of 5% or more of voting rights in a listed corporation (Not a Directors and Chief Executives)
- b) **Form 2:** if you are a corporation with an interest of 5% or more of voting rights in listed corporation

### Directors & Chief Executives:

- a) **Form 3 A:** if you have a notifying interest in shares of the listed corporation of which you are director or Chief Executive.
- b) **Form 3 B:** If you have a notifying interest in shares of any associated corporation of the listed corporation of which you are director or Chief Executive.
- c) **Form 3 C:** If you have a notifying interest in debentures of listed corporation of which you are a director or Chief Executive.
- d) **Form 3 D:** If you have a notifying interest in debentures of any associated corporation of the listed corporation of which you are director or chief executive.

- ↳ If you are both Substantial shareholder and director, then you must use form 3A and ensure to complete Boxes 27 to 32.

## Definition of Substantial Shareholders:

Individuals or Corporations who have an interest of 5% and more of **any class of voting rights** (Carry right to vote in all circumstance at general meeting) in **listed corporation** (Listed on HKEX regardless of where corporation is incorporated). If an issue has a more than one listed class of share, the percentage of each class is taken separately.

### Interest means:

- a) Hold shares as securities
- b) If your name is listed in register of member.
- c) If shares are held for you by another person Like, Trustee, Nominee, Custodian & Stockbroker.
- d) If you enter a contract, for example equity derivatives.
- e) If you are entitled to exercise rights attaching to shares control their exercise (Voting rights) or right to sell the shares themselves.
- f) Interest means Direct & Indirect Interest.

## Products in Scope:

- 1) Equity, Derivatives (Whose price or value is calculated wholly or partially by reference to the underlying shares).
- 2) Warrants, Convertible Bonds & Exchangeable bonds, and other equity linked instruments.
- 3) Greenshoe option (Under writer, in Over Allotment Option). Disclosure is required until option expired and from Listing date.
- 4) ADR, HRD (Hong Kong Depository Receipts), Stock Options, Stock Futures, CDS.
- 5) Basket Derivatives

**Settlement Type:** Both Physical Settled & Cash Settled.

**Timing to Disclose:** 3 business days for all events after the date of relevant event/ date of aware and 10 business days for initial disclosure for IPO disclosure (7th one).

Business day means exclude Saturday and Sunday and rainstorm warning or a gale warning. All timing should be Hong Kong time zone, before 23.59 Hrs.

**Disclosure Form Format-** Excel & PDF (for Windows users) for Mac users PDF format only.

Users need to setup account in DION form and then need to submit the file.



Form 2 Corporate  
Major Shareholder

## Disclosure Thresholds:

The initial disclosure threshold for substantial shareholders is 5%. Further movements which take their interests through a whole percentage level (e.g. 6%, 7%) are also disclosable.

Substantial shareholders must disclose short positions and long positions separately and these cannot be netted off. A person with a short position will first be required to make a disclosure if the percentage level of his short position reaches 1% or more. Thereafter, as with long positions, a disclosure is only prompted by a change that results in the short position crossing over a whole percentage number which is above 1%, or by the substantial shareholder ceasing to have a short position of at least 1%.

Day	Long Positions %	Short Positions %	Disclosure Required	
			Long Disclosure Required	Short Disclosure Required
1	4.5%	0.8%	No-As long Positions are <5%	No- As long positions are <5%
2	5.2%	0.8%	Yes- As long positions crossed initial threshold	No- As Short Positions are not crossed Initial threshold.
3	5.8%	1.2%	No- Long already reported and its not crossed threshold	Yes- Short crossed Initial Threshold.
4	6.1%	1.5%	Yes- Crossed threshold	No- Not crossed threshold
5	5.9%	1.5%	Yes-Crossed threshold	No-Not crossed threshold
6	5.9%	2.01%	No-Not crossed threshold	Yes- Crossed threshold
7	6.02%	1.98%	Yes-Crossed threshold	Yes-Crossed threshold
8	5.2%	0.99%	Yes-Crossed threshold	Yes- Below initial threshold

9	5.3%	1.02%	No-Not crossed threshold	Yes- Short crossed Initial Threshold.
10	4.98%	1.02%	Yes- Below the initial threshold	No- As we are not substantial holder

## Long Positions:

You have agreed to buy the shares, or you are entitled to exercise any of your right.

For Holding, Writing or issue of Financial Instruments:

- 1) You have a right to take the underlying shares.
- 2) You are under obligation to take underlying shares.
- 3) You have right to receive from another person if price of underlying shares is above certain level. (Call Option in the Money)
- 4) Put option In the Money

## Short Positions:

- 1) Borrowing shares under SBL Agreement.
- 2) You are under obligation to deliver the underlying shares
- 3) Call Option Out of Money
- 4) Put option Out of Money.

## Change in Nature:

Any change in nature of interest already notified is required to be disclosed. When you exercise your rights then your contingent interest become an immediate right.

Common examples: Exercise of rights under options and other derivatives.

## Time of Acquiring and Ceasing to have an interest in shares

**For Buyer Interest-** Acquire an interest when he contracts with the seller to buy the shares.

**For Seller Interest-** Normally cease to have interest in the shares only after the settlement date (when he transfers shares to the buyer). For exchange traded securities, it could be 2 to 3 days but for off exchange derivatives this could be some months.

## Calculations:

**Long & short positions %** =  $\frac{\text{Total No of Shares (Issued/Unissued)}}{\text{Total no of Listed corporation of the same class in issue}} * 100$

Total no of Listed corporation of the same class in issue

- ⋮ If you bought and sold several blocks of shares on the single day, you should not net the bought & sold at the end of day positions as the sale has 2 days carry forward nature (settlement days).
- ⋮ If you lent the shares, you still must include in long until right to require the return of the shares has been extinguished.

- \\ No netting of long and short positions (You cannot net the short position that you have a long position)
- \\ For Sell call option and purchase put option with 1000 for same underlying stock then your short positions in 1,000 only not the 2,000 (But you can't net the long & Short positions).
- \\ Denominator should not increase for unissued shares.
- \\ For calculations no need to round the % decimals but in form we can round to 2 decimal places. For ex: if we have interest of 4.9999%- no disclosure required.
- \\ Intercompany transfers can be excluded if only if both companies are in same group of companies.

## Denominator Validation:

Please read the attached reference document to validate the denominator.

[Click Here](#)

## When to report Short Positions:

- a) If you held more than 5% in long positions and your short positions are 1% or more or increase/decrease of your short positions only.
- b) For short positions disclosure and CONI (Change in Nature) disclosures, no need to report pricing information.

## Disclosure form Content:

### No of Shares Bought & Sold or Involved:

Previous day Positions-Current day Positions

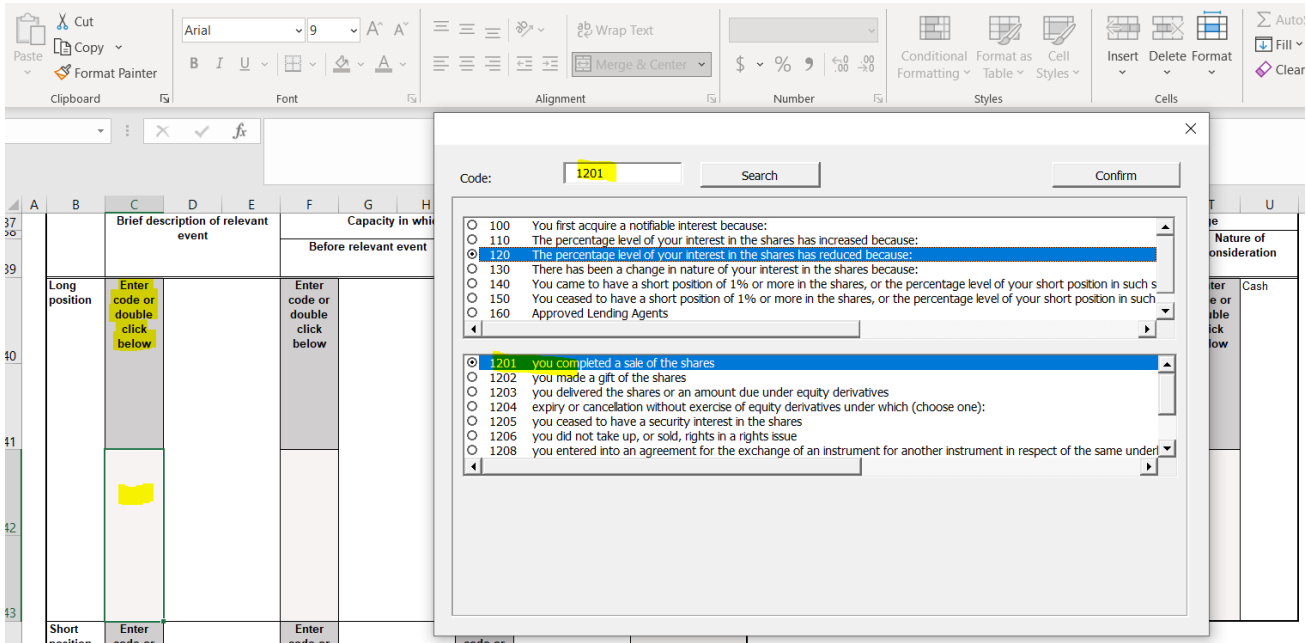
### Pricing Information:

- \\ If you have conducted a single transaction on the day of relevant event the highest price and average price will be the same.
- \\ If you have conducted several transactions on the day, then your average price consideration per share paid or received is determined by dividing the total amount paid/received for shares bought or sold by the no of shares bought and sold.
- \\ Pricing information can be blank for short positions disclosure only, a change in nature of your interest.
- \\ Pricing information should be 0 for transactions in derivatives and long trigger decrease/cease due to sell positions on (T+2 basis).
- \\ Pricing information need to report up to 4 decimal places.

## Capacity Codes:

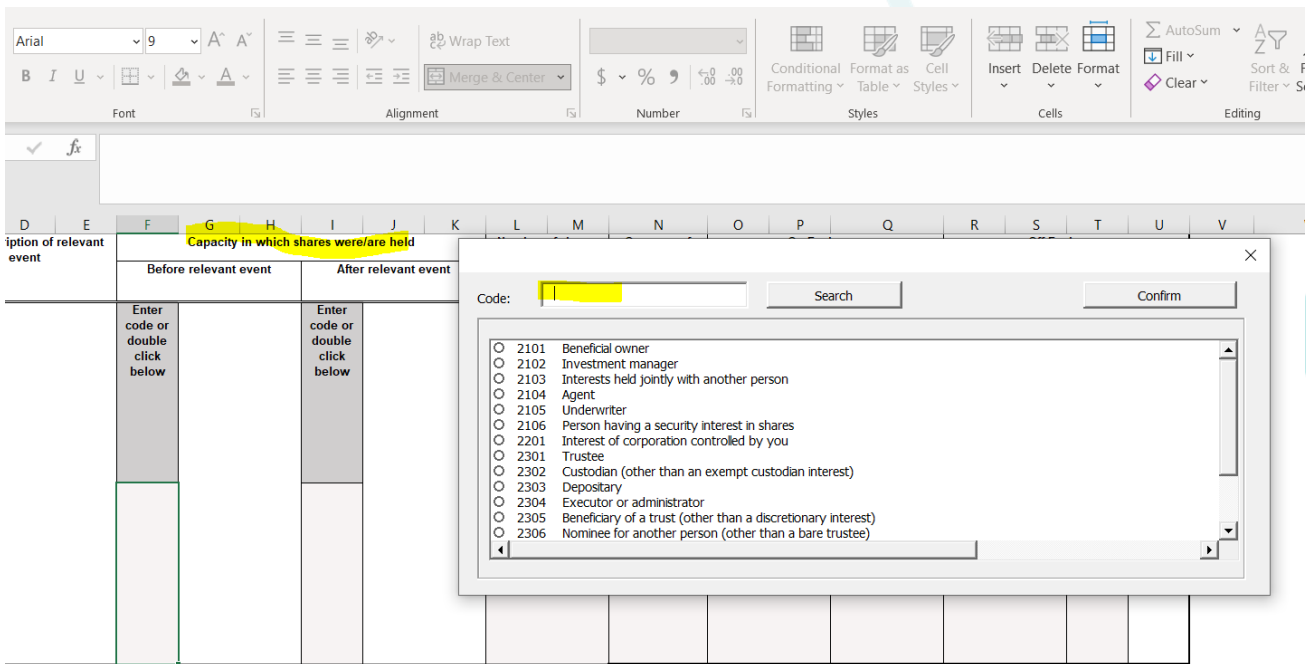
### Brief Discretion of relevant Event:

- \\ Select the appropriate event code from the list (Double click on the box to get the drop-down list). For example, you are reporting decrease position then select 120 then select the 1201 if your event is due to sale of shares.
- \\ Please find the below example-



## Capacity Code in which shares were/held:

- ✎ Select the capacity code in Capacity in which interests disclosed.
- ✎ For example, positions movement is due under the beneficial ownership then code should be 2201 or movement in positions is at Trust positions then code should be 2102.
- ✎ This code will change depending upon your client and client positions.



## Directions and instructions for completion of Form 1:

<https://www.sfc.hk/-/media/EN/files/CF/pdf/DI-Notices/Note-to-Form-1-For-Gazettal.pdf>

## Directions and instructions for completion of Form 2:

<https://www.sfc.hk/-/media/EN/files/CF/pdf/DI-Notices/Note-to-Form-2-For-Gazettal.pdf>

## Exemptions:

Several exemptions have been created while calculating and disclosing the forms. Below are a few examples of exemptions.

### \ **Basket of Shares:**

Derivatives that derive their value from a basket of shares in several listed companies may be exempt. If shares of at least 5 listed corporations must be in the basket and no one share should account for over 30% of the value of the entire basket.

### \ **Bare Trustees:** Bare trustee must have no duties to perform in respect of the interest in the shares except to convey or transfers to that person entitled to hold.

### \ **Collective Investments schemes -ETF and which are listed under trustee**

### \ **Dual listed securities (Notified in prospects)-** SFC release monthly exemptions securities and can found in the below link.

<https://www.sfc.hk/en/Rules-and-standards/Securities-and-Futures-Ordinance-Part-XV---Disclosure-of-Interests>

## Source-Links:

**Outline of Part XV Disclosures of Interest:** <https://www.sfc.hk/-/media/EN/assets/components/codes/files-current/web/outline-of-part-xv-of-the-securities-and-futures-ordinance-cap571-disclosure-of-interests/outlineofpartxvofthesecuritiesandfuturesordinancecap571disclosureofinterests.pdf>

**DION Submission Portal:** <https://sdinotice.hkex.com.hk/Home/Login>

**To View Historical forms:** <http://www.hkexnews.hk/di/di.htm>

Insiders not required to submit the forms in DION portal, only corporate & Individuals are required. Stock Exchange would provide the notice it receives to the listed corporation.

**Contact Details-** [enquiry@sfc.hk](mailto:enquiry@sfc.hk).

## Q& A:

### \ **Can I correct a mistake in a form after it has been filed?**

You cannot rectify the mistake by amending the form after it has been filed. Instead, you should file another form with correct details, but date of relevant event will be same.

### \ **Do I have to file separate form for each listed corporation?**

Yes, and if you are interested in share class or more than one share class, you must file separate disclosing interest in each listed corporation.



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