Hong Kong Institute of Certified Public Accountants 香港會計師公會

INFORMATION PAPER
COMMON CONTROL COMBINATIONS IN HONG KONG

Background to Hong Kong common control combinations

1. Hong Kong is one of the most active markets for raising funds from an initial public offering ("IPO"). For the first nine months of 2015, the Hong Kong Stock Exchange ("HKEx") secured the top position in IPO fund raising (2014: second place, behind New York). Hong Kong last topped the IPO funding raising ranks from 2009 to 2011.[1]
2. A significant number of common control combinations are performed pre-IPO in Hong Kong. Most, if not all, are accounted for by using the predecessor method.

Purpose of this paper

3. Against the context and focus of the IASB's project[2], and the importance of common control combinations in the Hong Kong capital market, this paper focuses primarily on common control combinations for the purpose of an IPO. This paper also seeks to explore the reason for the high prevalence of common control combinations prior to an IPO in Hong Kong, as well as outline the accounting practices, issues and financial information needs in relation to common control combinations in Hong Kong with the objective of providing input into future agenda consultations.
4. This information paper has been prepared by staff of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and has not been reviewed or approved by the HKICPA or its standard-setting committees including the Financial Reporting Standards Committee. The information in this paper does not represent the views of the HKICPA, its standard-setting committees or its staff.

Section index

5. This paper is organised according to the following sections:
   A. High-level summary of the listing rule requirements in Hong Kong relevant to this paper
   B. High-level summary of Accounting Guideline 5 issued by the HKICPA ("AG5")
   C. HKICPA staff's main observations regarding pre-IPO common control combinations
   D. Stakeholder discussions regarding common control combination accounting practices
   E. Issues and financial information needs raised by stakeholders in relation to common control combinations

[1] http://www.scmp.com/business/markets/article/1861838/hong-kong-retains-top-spot-ipos-third-quarter-despite-market-rout
[2] The IASB is giving priority to assessing business combinations under common control performed prior to an initial public offering to see if it is appropriate or feasible to accelerate a Standards-level project that is focused on these circumstances. (Reference: http://www.ifrs.org/Current-Projects/IASB-Projects/Business-Combinations/Pages/Business-Combinations-under-Common-Control.aspx)

A. High-level summary of the listing rule requirements in Hong Kong relevant to this paper

6. New listing applicants in Hong Kong are required by the Hong Kong Stock Exchange ("HKEx") to submit, among other matters, signed copies of: the reporting accountants' report on historical financial information about the listing applicant; the reporting accountants' report on the pro forma financial information of the listing entity; and the reporting accountants' report on the profit forecast of the listing entity (if any)[3]. Not all listing application documents are required to be included in the prospectus[4], including the profit forecast.

7. The HK Main Board Listing Rules requires the historical financial information to cover each of the three financial years immediately preceding the issue of the prospectus ("track record period"). This is to ensure that the new listing entity has had continuity prior to listing. The latest financial year presented must not be older than six months at the date of publication of the prospectus.

8. In brief, the HKEx Main Board Listing Rules require the following elements to be included in the reporting accountant's report for the purpose of providing historical financial information presented for the track record period:
   (a) Statements of financial position as at the end of the periods reported on;
   (b) Statements of comprehensive income, statements of cash flows and statements of changes in equity in respect of each of the periods reported on; and
   (c) Specific details concerning the financial information as set out in the Main Board Listing Rules 4.04, 4.05 and Appendix 16.

9. Further details on the listing process and requirements in Hong Kong can be referred from the HKEx website (https://www.hkex.com.hk/eng/listing/listreq_pro/ListReq.htm).

B. High-level summary of Accounting Guideline 5 issued by the HKICPA ("AG5")

10. Hong Kong Financial Reporting Standard 3 (Revised) *Business Combinations* ("HKFRS 3"), the equivalent of IFRS 3 of the same title, defines a business combination involving entities or businesses under common control as "a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory". These are outside the scope of HKFRS 3.

11. In the absence of a Standard or an Interpretation that specifically applies to common control combinations, an entity ordinarily selects an appropriate accounting policy. As many entities in Hong Kong considered that merger accounting was an appropriate accounting method for common

[3] https://www.hkex.com.hk/eng/rulesreg/listrules/listguid/iporq/Documents/gl58-13.pdf
[4] https://www.hkex.com.hk/eng/rulesreg/listrules/listipo/guidelines.htm

control combinations, the HKICPA therefore developed Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG5") in November 2005.

12. There is no requirement to apply AG5 for common control combinations in Hong Kong. However, should an entity choose to apply AG5, it must disclose the application in its financial statements. If an entity chooses not to apply AG5, it must explain why. Where there is any inconsistency between AG5 and any HKFRSs, that HKFRS Standard or Interpretation is to be followed. Certain HKFRSs may contain guidance or requirements that are relevant for the accounting for a common control combination using merger accounting. Accordingly, an entity is required to apply that guidance or those requirements, instead of, or in addition to, the guidance set out in AG5 when applying merger accounting.

13. AG5 sets out the basic principles and procedures of merger accounting when recognising a common control combination in Hong Kong. It also specifies that interspersing a shell entity between a parent entity and a single subsidiary does not represent the combination of two businesses.

14. The concept underlying the use of merger accounting as prescribed by AG5 is that no acquisition has occurred and that there has been a continuation of the risks and benefits to the controlling[5] party (or parties) which existed prior to the combination:

    (a) The financial statement items of the combining entities or businesses are included as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

    (b) The carrying amounts are included as if such consolidated financial statements had always been prepared using the 'existing book values from the controlling parties' perspective'.

    (c) There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination.

    (d) Comparative amounts are presented using the principles as set out above.

15. AG5 is aligned with the predecessor method of accounting. Under the predecessor method, assets and liabilities of all combining entities or businesses are reflected in consolidated financial statements at their carrying amounts immediately prior to the business combination (i.e. at their predecessor carrying amounts)[6].

16. AG5 can be referred from (http://app1.hkicpa.org.hk/ebook/index.php).

[5] A controlling party (or parties) is a group of individuals or an entity that, as a result of contractual arrangements, have the power to govern the financial and operating policies of its subsidiaries so as to obtain benefits from its activities.

[6] http://www.ifrs.org/Meetings/MeetingDocs/Other%20Meeting/2015/March/AP4-BCUCC-GPF-March-2015.pdf

C. HKICPA staff's main observations regarding pre-IPO common control combinations

17. A BDO study[7] published in January 2014 states that "like other Asian countries, many Hong Kong listed companies have concentrated ownerships, with a large number under family control. Additionally, many Chinese enterprises that have listed recently in Hong Kong have shown a similar structure of concentrated ownerships, through either family control or in the form of state-owned enterprises. With concentrated ownership, conflicts are complicated with the presence of controlling shareholders (who are often the managers or appointed the managers of the company) and minority shareholders".

18. We reviewed 80% of the Hong Kong IPO prospectuses for 2014 and 2013. Based on our review, it is noted that there is a high incidence of common control combinations undergone by companies when they seek to raise capital via an IPO in Hong Kong.

19. The aforementioned circumstances specific to Hong Kong (and potentially other Asian countries), therefore seem to suggest that the high prevalence of family controlled companies in Hong Kong is a major underlying factor driving the high incidence of common control combinations prior to an IPO in Hong Kong.

20. The following are observations from this review:

    (a) A significant majority of listing applicants conduct some form of common control combination.

    (b) Generally, the controlling shareholder in these IPOs would incorporate a shell company which becomes its 'listing vehicle' with which to achieve a minimum public float of 25%[8] with the HKEx Main Board. This enables the controlling shareholder to separate its listing business (i.e. the listing vehicle and subsidiaries that constitute businesses) from the other parts of its business.

    (c) All pre-IPO common control combinations reviewed either applied the predecessor method of accounting or specified the application of AG5. Three general types of disclosures are observed, which describe similar methods of predecessor accounting, as follows:

        i. "For the purpose of this report, the Financial Information of the Group has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods."

        ii. "The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are

[7] http://www.bdo.com.hk/press.web.ViewPressReleaseDetail.do?pressReleaseId=51&localeId=en
[8] https://www.hkex.com.hk/eng/listing/listreq_pro/listreq/equities.htm

combined using the existing book values from the controlling party's perspective."

iii. "The consolidated balance sheets of the Group as at [date] have been prepared to present the assets and liabilities of the companies engaged in the Listing Business and the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates."

(d) All pre-IPO companies presented their financial statements as if the group had always been combined which meets the HKEx track record period requirement.

(e) In applying the predecessor method, the difference between the consideration paid and the net asset value of entities / businesses acquired is recognised in equity, particularly merger reserves, capital reserves or other reserves.

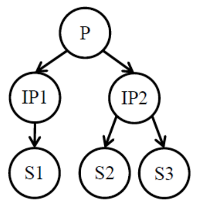
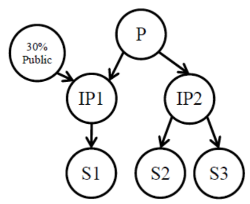
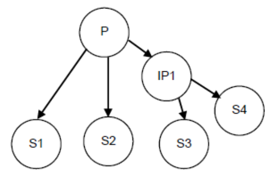
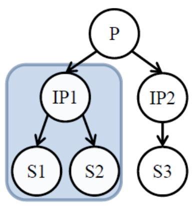
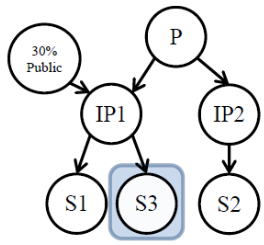
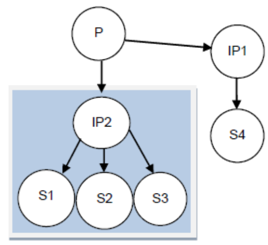
(f) The pre-IPO companies generally have existing minority shareholders who are typically members of the senior management team (including CEO), family members related to the controlling shareholder, past / current employees and non-executive / executive directors of the listing entities. As such, it is inferred that they would have similar interests as the controlling party and would likely have access to relevant financial information. The existence of independent third party minority shareholders (individuals or private equity firms) is not commonly observed.

D. Stakeholder discussions regarding common control combination accounting practices

21. In order to capture a full spectrum of opinions regarding the accounting practices and preferences for common control combinations, we held discussions with practitioners, preparers, regulators and analysts (collectively, "stakeholders").

22. Our stakeholder discussions focussed on the three simplified scenarios below and in particular, focussed on what is the current accounting practice and whether there is a preferred method (predecessor versus IFRS 3's acquisition accounting). Common control combination issues and financial information needs were also discussed, which is covered in Section E of this paper.

23. Scenarios 1 and 2 were extracted from the October 2014 IASB Capital Markets Advisory Committee ("CMAC") paper, and scenario 3 was prepared by the HKICPA staff to reflect typical Hong Kong market practice. The below scenarios assume that S1, S2, S3 and S4 are all different and separate businesses.

	Scenario 1:	Scenario 2:	Scenario 3:
	- Entity P transfers S2 from IP2 to IP1. - IP1, S1 and S2 forms the group to be listed via IPO.	- Entity P transfers S3 from IP2 to IP1. - IP1 already has pre-existing minority shareholders.	- Entity P incorporates IP2. - Entity P transfers S3 from IP1 to IP2. - IP2, S1, S2, S3 forms the group to be listed via IPO.
Before			
After			

Reponses from Practitioners

24. We met with practitioners who are technical accounting experts from large accounting firms (including the Big Four). Based on our discussion, common control combinations in preparation for an IPO and also subsequent to an IPO are regular occurrences in Hong Kong.

25. Specific to Scenario 1, practitioners have observed the following in practice:

(a) Since S2 is controlled by P before and after the combination, this is treated as a common control combination. The common practice is that IP1 uses merger accounting in accordance with AG5 to account for the common control combination.

(b) If the common control combination is executed before the IPO and IP1 loses control of S2 subsequent to the IPO; the transaction is still considered a common control combination as long as these events are not conditional upon each other.

(c) It is not common to use an existing entity as the listing vehicle, and apply acquisition accounting to the common control combination executed in preparation for an IPO.

(d) IP1 provides the following disclosures in its consolidated financial statements:

i. The basis of preparation of the financial statements;

ii. A description of the group reorganisation and accounting implications;

iii. Information specified in AG5.

26. Specific to Scenario 2, the general consensus from practitioners is that the predecessor method is typically applied in the consolidated financial statements of the immediate acquirer. However, it was noted that for the separate financial statements of the immediate acquirer, IAS 27 *Separate Financial Statements* provides an entity an option to measure its investments in subsidiaries either at cost, at fair value in accordance with IFRS 9 *Financial Instruments* or using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*. In these cases, practitioners have observed that preparers tend to measure the investment at cost. It was noted that this treatment is in accordance with the spirit of predecessor accounting and provides a consistent accounting treatment of the common control combination in the consolidated and separate financial statements to shareholders. Nevertheless, it was acknowledged that minority shareholders who account for the investment in IP1 using the equity method might favor the use of fair value information (or the acquisition method under IFRS 3 if the combination meets the criteria).

27. Specific to Scenario 3, practitioners have observed the following in practice:

(a) Setting up a new entity as the parent entity and the listing vehicle to effect the combinations of several existing entities is very common for a group of entities in Hong Kong for the purpose of IPO.

(b) As S1, S2 and S3 were under common control of P, the financial information is usually prepared for IP2 based on the merger accounting method as stipulated in AG5. This also facilitates meeting the historical track record period requirement of the Hong Kong Main Board Listing Rules.

(c) A newly incorporated entity may use the IPO proceeds to acquire commonly controlled subsidiaries from the controlling party. In this case, the acquisition and IPO are typically considered to be a single transaction. In Hong Kong we observed two approaches being adopted for such transactions, depending on whether the conditional IPO is considered to be a critical feature:

i. One approach is to treat IP2 as the acquirer of S1, S2 and S3 from P by using cash from the IPO proceeds. Usually there is also a significant change in control from P to IP2. The acquisition method under IFRS 3 is applied in such cases. The financial information within the listing documents will include the reporting accountants' reports on the three-year historical financial statements of S1, S2 and S3 respectively, and a one-year pro forma financial statement for the enlarged IP2 group illustrating the financial information as if IP2 had always controlled S1, S2 and S3 for the period. IP2 will typically use the acquisition method in the pro forma financial statement, i.e. the identifiable assets and liabilities of S1, S2 and S3 will all be stated at fair value.

ii. The other approach takes the view that IP2 is not an acquirer but only a listing vehicle. In such cases, a common control combination is deemed to occur and merger accounting will be applied.

28. The general consensus from practitioners is that both the predecessor method and acquisition method should be permitted, as long as the method of accounting is consistently applied. However, practitioners have noted that performing the fair value measurement is extremely time consuming and costly, which oftentimes have led preparers to choose the predecessor method as a policy choice.

Responses from Preparers

29. We met with preparers who are key senior finance and / or accounting personnel of large corporates (including multinational conglomerates) and financial institutions that are listed in Hong Kong or listed overseas with significant operations in Hong Kong.

30. When asked the reasons for why common control combinations take place, the responses received were unanimous: common control combinations are typically performed to realize or improve the efficiencies of the group's business, or to implement more efficient tax planning structures.

31. Preparers generally favoured the predecessor method over the acquisition method of accounting, as the latter would likely result in the 'artificial' uplift of asset value. They were particularly concerned about the justification of goodwill recognition in common control combinations as the dynamics of the group may not have materially changed as compared to combinations involving third parties.

32. Specific to Scenario 1, the predecessor method of accounting is generally preferred by preparers for both separate and consolidated financial statements.

(a) One preparer pointed out that common control combinations conducted for its group typically involved wholly-owned entities / businesses which used the acquisition method to account for the transactions as they were conducted at arm's length (i.e. they will perform due diligence and expert valuations of the entities / businesses being transacted). However, the consideration paid for the inter-company acquisition will be equivalent to the fair value of the identifiable assets and liabilities of the acquiree.

(b) Another preparer commented that the acquisition method of accounting should be used for all acquisitions / combinations subject to the maturity and strength of corporate governance within the market jurisdiction. The following are the opinions of the preparer:

i. In mature market jurisdictions notwithstanding strong corporate governance, there should be less market volatility and also less incentive or opportunities to manipulate asset values. Therefore, the acquisition method of accounting should be used for all common control or third party combinations as these transactions are generally only performed if they are anticipated to unlock or create 'real' value to the acquirer or the group.

ii. Under emerging markets and semi-mature market conditions, markets are typically more volatile and there is more incentive and opportunity for companies to distort asset values using the acquisition method of accounting – to this end, it is noted that there is a tendency to refer to non-GAAP performance measures such as underlying profits as opposed to the reported profits (i.e. which include fair value revaluation of investment properties). Under these market circumstances, the predecessor method of accounting is preferred to avoid recognising artificial asset values in the financial statements.

(c) A preparer from the financial services industry commented that the acquisition method would be too operationally complex as there is no 'real' benefit to obtaining the fair values of all loans / deposits and then subsequently unwinding them on the balance sheet, particularly if these are wholly-owned subsidiaries. Furthermore, financial institutions and their customers prefer to know the historical carrying value of their loans / deposits, and therefore, it would not be sensible to keep track of the fair values of the loans or change the systems information.

33. Specific to Scenario 2, an arms-length consideration would be preferred for common control combinations that involve minority shareholders but preparers unanimously agreed that the common control combination should be accounted for by applying the predecessor method using carrying values from the ultimate parent's perspective. From the immediate acquirer perspective, preparers were initially uncertain as to what type of financial information would be useful to the minority shareholders, but ultimately suggested that the predecessor method would still be appropriate, as long as additional disclosures on the fair values of the net assets are provided. All preparers expressed concern with the acquisition method applied to combinations involving a loss-making entity.

34. In accordance with the principles of merger accounting, any difference between the arms-length consideration paid and the net asset values acquired should be recognised in a reserve. All preparers unanimously commented that this treatment was reasonable. Their main concern was the impact, if any, on the distributable profits of the acquirer.

35. The additional disclosures recommended by preparers include:

(a) the fair value of the net assets of the acquired entity so that the minority shareholder can compare the consideration paid with the fair value (or market value) of the acquired entity.

(b) the consideration paid and the existing balance sheet / income statement of the acquired entity (if material) so that the minority shareholder can easily do a price-book ratio analysis against similar companies.

(c) qualitative information detailing:

i. the substance of the transaction, i.e. the group's overall strategy for the transaction, the rationale behind the premium paid (if any), the basis of synergies created and value unlocked that the transaction would bring to the overall group;

ii. the fair valuation methodology including the inputs and assumptions.

36. The aforementioned concerns and disclosures mentioned are also relevant to other stakeholders of the entity, particularly where debt financing is involved -- bankers and creditors would be concerned about the potential for artificial asset values.

37. Specific to Scenario 3, where a newly incorporated shell company is interspersed between the controlling party (or parties) and listing businesses in preparation for IPO, there will be no fair valuation of the shell company as it does not carry on any operations nor does it constitute a business. Any common control combination that occurs prior to the IPO which forms part of the listing business will still be accounted for under the predecessor method. The presence of the minority shareholder would determine whether additional disclosures, as mentioned above, should be required.

38. The preparers note that the predecessor method is relevant for both pre-IPO and post-IPO situations. However, the restatement of comparatives is only more relevant in pre-IPO situations as new or potential investors would want to see the historical track record of the group.

Responses from Regulators

39. We met with regulators in charge of regulating listed issuers and / or the administration of listing rules.

40. The Listing Division of the HKEx performs an annual review of listed issuers' published financial reports to ensure compliance with the disclosure requirements of the Listing Rules and accounting standards. No issues were raised in the HKEx 2012, 2013 and 2014 reviews in relation to the current accounting practices for common control combinations.

41. In addition, no complaints were received from investors (including minority shareholders) in relation to the financial information on common control combinations to date.

42. One regulator stressed the importance of having a comparable and consistent accounting method for all common control combinations. Furthermore, the regulator pointed out that the basis underlying

the consideration paid for the common control combination is important to users of financial statements to address any concerns about the validity of paying a premium for the related party.

Responses from Analysts

43. We met with certified financial analysts and investment practitioners such as investment bankers, fund managers, personal investors, and preparers of financial statements (collectively, "analysts"). These analysts also focused on a variety of industries in Hong Kong.

44. For all three scenarios, in general, the analysts commented that the predecessor method would be more useful for the following reasons:

(a) Analysts typically conduct their own valuation. Therefore, carrying-value inputs are required to calculate various ratios such as price-book, return-on-equity and other industry relevant market multiples in order to determine an appropriate valuation from the analyst perspective.

(b) Many companies are family-owned / managed in Hong Kong, and therefore fair value measurements for common control combinations are treated with a high level of cynicism by analysts. Information regarding the inputs and assumptions behind fair valuation (including details of the valuer) should be required.

(c) The analysts are less comfortable with the recognition of goodwill on acquisition particularly for pre-IPO common control combinations.

E. Issues and financial information needs raised by stakeholders in relation to common control combinations

Comparative figures

45. The HKEx Main Board listing rules require historical financial information for the track record period so restating comparative amounts are required.

46. For listed companies performing post-IPO common control combinations, some practitioners have observed that preparers find the requirement to restate comparatives (as per the Hong Kong AG5 guidance) the most challenging aspect, due to the time and cost it entails.

Definition of a business

47. Our stakeholders are aware that the IASB has a research project looking into further clarifying the definition of a business.

48. Our preparers and practitioners consider that more guidance would be helpful in determining whether there is a difference between, and if so, what factors would determine the combination of a

business or entity, versus the combination of assets. For example, should group transactions where various assets are purchased from different entities within a group be accounted for as asset acquisitions or a business acquisition if, on a combined basis, the assets constitute a business?

49. Some practitioners also consider that more guidance would be helpful in identifying a recapitalization of a single business versus a common control combination of multiple businesses. For example, when a new company is incorporated to hold equity interests in operating entities that constitute one single operating segment in the Group. Should the single operating segment be identified as one single business or many businesses under common control?
    (a) In cases where the operating segment is a single business, some constituents consider that is not a common control combination and such transaction is accounted for as recapitalisation of that single business.
    (b) In a recapitalisation, financial statements are prepared for the single business which includes the existing entities' full results (including the comparatives).

Issues with applying the acquisition method

50. Preparers commented that any goodwill recognition from a common control combination should only occur after the new reorganized group has operated for some time and 'internally generated' goodwill (if any) that meets the recognition criteria is observed.

51. Preparers also commented that the acquisition method is fairly complicated. Allocating the intrinsic value of a company (where the premium is not directly attributable to a specific asset) is particularly judgmental for the purpose of goodwill allocation.

Quality disclosures and corporate practices

52. The analysts commented that a majority of end users generally consist of institutional investors, high net-worth individuals and pension funds.

53. The analysts also commented that end users generally want increased transparency with respect to the rationale behind common control combinations. This includes the following areas:
    (a) the underlying synergies realized from the new combination;
    (b) the underlying operational benefits arising from the common control combinations;
    (c) increased transparency surrounding related party transactions ("RPT") between the immediate new and old parents and the subsidiary transferred; the involvement of the controlling party in the common control combination; and any other types of RPT that are related to the common control combination.

i. In Hong Kong, RPT disclosures are in accordance with HKAS 24 *Related Party Disclosures* or IAS 24, with specific disclosures also required by HKEx Main Board listing rules for major connected transactions over a certain threshold.

ii. However, analysts noted that only the bare minimum is typically disclosed by companies, which is not as helpful for end users in order to understand the underlying synergy and benefits arising from the common control combinations.

(d) Quality industry-specific information regarding operational efficiency and sustainability of the new group should be disclosed. These quality disclosures would then enable end users to make better decisions regarding the actual performance of the new group.

(e) Finally, disclosures regarding fair values of the net assets of the acquired entity / business should be provided, including the fair value methodology, inputs, assumptions and the name of the valuation expert.

54. The analysts, however, acknowledge that companies have a fine line to tread with respect to disclosing sensitive information. Most analysts tend to discount the IPO price if insufficient information about the listing entity is provided.

Re-cap of Hong Kong common control combinations

55. Common control combinations in Hong Kong are typically performed to realize or improve the efficiencies of the group's business, or to implement more efficient tax planning structures.

56. The predecessor method is typically used to account for common control combinations pre-IPO. Most of our stakeholders see more merit in using the predecessor method for common control combinations.

57. Since common control combinations are in essence an internal reshuffling of entities / businesses within the same group, there is a significant concern that the acquisition method might create opportunities for entities to artificially create or shift values and manipulate future profits. Some would view the dynamics of a group that underwent a common control combination would likely not have materially changed as compared to the dynamics arising from third-party acquisitions.

58. When minority shareholders are involved, there should be increased disclosures to ensure that they have all relevant information and are treated fairly. Additional disclosures should include the consideration paid; the existing book values of the entity / business acquired; and the fair values of the net assets of the entity / business acquired.

59. Irrespective of the existence of minority shareholders, all common control combinations should provide information on the rationale behind the common control combination, such as, the synergies

realized or unlocked from the transaction, and the involvement of other major related party transactions. The basis for the consideration paid is also important, particularly when there is a premium paid.