

Frequently Asked Questions Series 31 (Released on 6 February 2015 / Last Updated on ~~11 September~~21 December 2015)

Questions relating to the Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments

Status of “Frequently Asked Questions”

The following frequently asked questions (FAQs) are designed to help issuers understand and comply with the Listing Rules, particularly in situations not explicitly set out in the Rules or where further clarification may be desirable.

Users of the FAQs should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQs are not substitutes for the Rules. If there is any discrepancy between the FAQs and the Rules, the Rules prevail.

In formulating our “answers”, we may have assumed certain underlying facts, selectively summarised the Rules or concentrated on one particular aspect of the question. They are not definitive and do not apply to all cases where the scenario may at first appear similar. In any given case, regard must be had to all the relevant facts and circumstances.

The Listing Division may be consulted on a confidential basis. Please contact the Listing Division at the earliest opportunity with any queries.

No.	Main Board Rules	GEM Rules	Query	Response
(A) Main Board Rules Appendix 16 and GEM Rules Chapter 18 on “Disclosure of Financial Information”				
1.	Appendix 16	Chapter 18	<p>What is the effective date of the Rule amendments in <u>relation to Main Board Rules Appendix 16 and GEM Rules Chapter 18 adopted in the Consultation Conclusions with reference to the New Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (“New Companies Ordinance”) and Hong Kong Financial Reporting Standards?</u></p>	<p>The revised Main Board Rules Appendix 16 and GEM Rules Chapter 18 <u>adopted in the Consultation Conclusions with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards</u> in relation to disclosure of financial information will be applicable for preliminary announcements of results, quarterly reports (for GEM only), interim reports and annual reports with accounting periods ending on or after 31 December 2015.</p> <p>Example 1: An issuer with a 31 December financial year-end must comply with the revised Main Board Rules Appendix 16 (GEM Rules Chapter 18) in its annual report for the year ending 31 December 2015 and in its interim report covering the period from 1 January to 30 June 2016.</p> <p>Hong Kong incorporated issuers should comply with the New Companies Ordinance (Cap. 622) (“New Ordinance”) regardless of the above effective date as Part 9 “Accounts and Audit” of the New <u>Companies</u> Ordinance came into effect for the first financial reporting year beginning on or after 3 March 2014,</p>

No.	Main Board Rules	GEM Rules	Query	Response
				<p>the commencement date of the New <u>Companies</u> Ordinance. For example, for those Hong Kong incorporated companies with a financial year starting from 1 April 2014, the New <u>Companies</u> Ordinance will first impact their financial statements and directors' reports for the year ending on 31 March 2015.</p> <p><i><u>(Updated on 21 December 2015)</u></i></p>

2.	Appendix 16	Chapter 18	<p>Can an issuer adopt the Rule amendments in relation to Main Board Rules Appendix 16 (GEM Rules Chapter 18) earlier than the effective date? Can an issuer implement the Rule amendments in relation to Main Board Rules Appendix 16 (GEM Rules Chapter 18) adopted in the Consultation Conclusions with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards earlier than the effective date?</p>	<p>Early adoption <u>implementation</u> is permitted in relation to <u>the revised Main Board Rules Appendix 16 and GEM Rules Chapter 18 adopted in the Consultation Conclusions with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards</u>. However, issuers should not adopt the revised Rules prior to the effective date of Part 9 “Accounts and Audit” of the New <u>Companies</u> Ordinance. Part 9 of the New <u>Companies</u> Ordinance came into effect for the first financial reporting year beginning on or after 3 March 2014, the commencement date of the New <u>Companies</u> Ordinance.</p> <p>Example 2: An issuer with a 28 February financial year-end should not adopt the revised Main Board Rules Appendix 16 (GEM Rules Chapter 18) for its annual report for the financial year ending on 28 February 2015.</p> <p>Example 3: An issuer that publishes its quarterly report (if applicable), interim report or annual report for the accounting period ending on 30 June 2015 can adopt the revised Main Board Rules Appendix 16 (GEM Rules Chapter 18).</p> <p><i><u>(Updated on 21 December 2015)</u></i></p>
----	-------------	------------	---	--

No.	Main Board Rules	GEM Rules	Query	Response
(B) Main Board Rules Chapter 4 and GEM Rules Chapter 7 on “Accountants’ Reports and Pro Forma Financial Information”				
3.	Chapter 4	Chapter 7	What is the effective date of the Rule amendments in Main Board Rules Chapter 4 and GEM Rules Chapter 7?	<p>The amendments to Main Board Rules Chapter 4 and GEM Rules Chapter 7 in relation to disclosure of financial information in the accountants’ report will be applicable for accountants’ reports in listing documents and circulars relating to listing applications, reverse takeovers, major transactions and very substantial acquisitions where the latest period reported on in the accountants’ report ends on or after 31 December 2015.</p> <p>Example 4: A listing applicant must comply with the revised Main Board Rules Chapter 4 (GEM Rules Chapter 7) in its prospectus if it contains a track record period ending on or after 31 December 2015.</p>
4.	Chapter 4	Chapter 7	Can an issuer/a listing applicant adopt the Rule amendments in relation to Main Board Rules Chapter 4 (GEM Rules Chapter 7) earlier than the effective date?	<p>Early adoption of the Rule amendments is permitted.</p> <p>Example 5: A listing applicant with the latest period reported on in the accountants’ report ending on 31 March 2015 in its prospectus can adopt the revised Main Board Rules Chapter 4 (GEM Rules Chapter 7).</p>

No.	Main Board Rules	GEM Rules	Query	Response
(C) Discussion and analysis and business review				
5.	Paragraphs 28(2)(d) and 32 of Appendix 16	Rules 18.07A(2)(d) and 18.41	How should the discussion and analysis of an issuer's performance and the business review be presented in the annual report? Would it be appropriate to include a cross reference in the issuer's business review to its discussion and analysis?	<p>According to section 388 and Schedule 5 of the New Companies Ordinance, a business review under the New Companies Ordinance must be part of a directors' report. Therefore, it cannot be part of the discussion and analysis unless the discussion and analysis forms part of a directors' report. However, the law does not mention whether cross referencing is prohibited.</p> <p>The Exchange does not propose to dictate the way issuers present their business review and discussion and analysis as long as the issuer provides in its periodic financial reports the disclosures required under both paragraphs 28(2)(d) and 32 of Main Board Rules Appendix 16 (GEM Rules 18.07A(2)(d) and 18.41).</p> <p>If the discussion and analysis information has been disclosed in a business review in the directors' report, there is no need to repeat the disclosures in a separate section of the annual report.</p>

No.	Main Board Rules	GEM Rules	Query	Response
6.	Paragraphs 28(2)(d), 45(3) and 46(3) of Appendix 16	Rules 18.07A(2)(d), 18.50(2) and 18.78(3)	Will an issuer be required to disclose in its preliminary results announcement a business review under the New <u>Companies</u> Ordinance?	A business review under the New <u>Companies</u> Ordinance is only required to be included in the annual reports of issuers, not in their preliminary results announcements. There is no change to the disclosure requirements for the preliminary results announcement. It is up to issuers to decide how they would like to present the disclosures to meet the Listing Rule requirements in their preliminary results announcements. To avoid confusion with the term “business review” used under the New <u>Companies</u> Ordinance, the term “a business review” under paragraph 45(3) of Main Board Rules Appendix 16 (GEM Rule 18.50(2)) (annual results announcement) and paragraph 46(3) of Main Board Rules Appendix 16 (GEM Rule 18.78(3)) (interim results announcement) has been changed to “a commentary”.
(D) Disclosure of accounts receivables and accounts payables				
7.	Rules 4.05(2)(a) and (b), Note 2 to Rule 4.05(2), paragraph 4(2)(a) and (b)	Rules 7.04(2)(a) and (b), Note 2 to Rule 7.04(2), Rules 18.50B(2)(a) and (b), Note to	How should an issuer present its ageing analysis of accounts receivable and accounts payable?	A note has been added to the relevant Rules which states: “ <i>The ageing analysis should normally be presented on the basis of the date of the relevant invoice or demand note and categorised into time-bands based on analysis used by an issuer’s management to monitor the issuer’s financial position. The basis on which the ageing analysis is presented should be disclosed.</i> ”

No.	Main Board Rules	GEM Rules	Query	Response
	of Appendix 16, Note 4.2 of Appendix 16	Rule 18.50B(2)		For issuers in industries that do not issue invoices to their customers, there may be sales and purchase contracts entered into between the company and its customers which set out the agreed payment schedule. In such cases, the issuer should present the ageing analysis based on the payment schedule set out in the sales and purchase contracts.
(E) Prior period adjustments due to correction of material errors				
8.	Paragraphs 45(9) and 46(10) of Appendix 16	Rules 18.50(10) and 18.78(9)	If a results announcement contains prior period adjustments, should an issuer select the new headline category “Prior Period Adjustments due to Correction of Material Errors”?	<p>This depends on whether the prior period adjustments are made due to correction of material errors. If the issuer and its auditors decide that the prior period adjustments are made due to material errors, the issuer should select this new headline category.</p> <p>However, issuers are not required to select this new headline category if a prior period adjustment is made due to the adoption of a new accounting standard.</p>

No.	Main Board Rules	GEM Rules	Query	Response
9.	Paragraphs 45(9) and 46(10) of Appendix 16	Rules 18.50(10) and 18.78(9)	Would a prior period adjustment made due to a correction of a material error in a results announcement constitute “inside information”?	Issuers have to determine whether a prior period adjustment made due to a correction of a material error in a results announcement constitutes “inside information” under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”). Whether such information is “inside information” will be determined on a case by case basis. If it is “inside information”, it should be released to the market as soon as the directors become aware of it. Where the information constitutes “inside information”, issuers have to select both the “Inside Information” and “Prior Period Adjustments due to Correction of Material Errors” headline categories.
10.	Paragraphs 45(9) and 46(10) of Appendix 16, Appendix 24	Rules 18.50(10) and 18.78(9), Appendix 17	Should an issuer with financial year ended 31 December 2014 whose financial statements contain prior period adjustments due to the correction of material errors select the headline category “Prior Period Adjustments due to Correction of Material Errors” for the publication of its annual	<p>The new headline category “Prior Period Adjustments due to Correction of Material Errors” in Main Board Rules Appendix 24 (GEM Rules Appendix 17) will be available on 1 April 2015.</p> <p>An issuer in this situation will therefore not be able to select this headline category.</p> <p>However, if the issuer publishes its results announcement (which contains prior period adjustments due to the correction of material</p>

No.	Main Board Rules	GEM Rules	Query	Response
			results announcement in March 2015?	errors) on or after 1 April 2015, it will be required to select the new headline category.
(F) Revision of financial statements and reports				
11.	Rule 13.51(7)	Rule 17.50(6)	If the board of directors of an issuer decides in its board meeting held on 31 March 2015 to revise its financial statements for the financial year ended 30 June 2014, will the issuer need to publish an announcement under the headline category “Revision of Published Financial Statements and Reports”?	<p>As the relevant Rule amendments take effect on 1 April 2015, the new headline category “Revision of Published Financial Statements and Reports” will be available from the same date.</p> <p>The issuer needs to publish an announcement as soon as practicable after the directors decide to revise the financial statements. The announcement should state the fact and provide reason(s) leading to the revision of the published financial statements and the financial impact.</p> <p>The issuer must select the new headline category if it publishes its announcement concerning the revision of published financial statements and reports on or after 1 April 2015.</p>

No.	Main Board Rules	GEM Rules	Query	Response
(G) New referencing in Main Board Rules Appendix 16 and GEM Rules Chapter 18 on “Disclosure of Financial Information”				
12.	Note 6.3 and note 40.3 of Appendix 16	Note 4 to Rule 18.07, note 10 to Rule 18.55 and note 6 to Rule 18.68	Will the new referencing in Main Board Rules Appendix 16 (GEM Rules Chapter 18) relating to disclosure requirements for periodic financial reports set out in other parts of the Listing Rules create any new disclosure requirements?	Although the notes to the relevant Rules are new, they do not impose any new disclosure requirements. The purpose of providing referencing in Main Board Rules Appendix 16 (GEM Rules Chapter 18) is to remind issuers to comply with the existing disclosure requirements for periodic financial reports contained in other parts of the Listing Rules.
<u>(H) Disclosure requirements under Section 436 of the New <u>Companies</u> Ordinance</u>				
13.	13.48, 13.49(1), 13.49(6), 14.66 to 14.69, 11.03 & 11.04, 11.16 to 11.19, 14.61 & 14.62, 4.25 to 4.29	18.49, 18.53, 18.66, 18.78, 18.79, 19.66 to 19.69, 14.03 & 14.06, 14.29 to 14.31, 19.61 & 19.62, 7.27 to 7.31	What are the disclosure requirements under Section 436 of the New <u>Companies</u> Ordinance for a Hong Kong incorporated issuer publishing its: (a) annual / interim results announcement; (b) interim report, quarterly	(a) Section 436(3) of the New <u>Companies</u> Ordinance requires the issuer to include a statement indicating that the statement of comprehensive income for a full financial year and/or the statement of financial position at a financial year end (the “Statements”) presented in the account are not statutory financial statements under the New <u>Companies</u> Ordinance. The issuer must also disclose whether (i) an audit or ’s report had been prepared; and (ii) the auditors gave a qualified or modified audit opinion on the Statements.

No.	Main Board Rules	GEM Rules	Query	Response
			<p>results announcement / financial report, circulars or listing documents?</p>	<p>(b) The issuer must also comply with the above disclosure requirements if the financial reports, circulars or listing documents contain the Statements.</p> <p>For details, please refer to Accounting Bulletin 6 “Guidance on the Requirements of Section 436 of the Hong Kong Companies Ordinance C ap.622” issued by Hong Kong Institute of Certified Public Accountants at: http://app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumeII/ab6.pdf</p> <p><i>(Added in September 2015)</i></p>