

Chapter 4

GENERAL

ACCOUNTANTS' REPORTS AND PRO FORMA FINANCIAL INFORMATION

When Required

- 4.01 This Chapter sets out the detailed requirements for accountants' reports on the profits and losses, assets and liabilities of, and other financial information on, an issuer and/or a business or company, to be acquired or disposed of (as the case may be) by an issuer for inclusion in listing documents or circulars. Accountants' reports are required to be included in the following listing documents and circulars:—
- (1) a listing document issued by a new applicant (paragraph 37 of Appendix D1A) but subject to rule 11.09(7);
 - (2) a listing document issued by a listed issuer in connection with an offer of securities to the public for subscription or purchase which is required by either section 38(1) or section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to set out the reports specified in Part II of the Third Schedule to that Ordinance; and
 - (3) a circular issued in connection with a reverse takeover (see rule 14.69), an extreme transaction (see rule 14.69), a very substantial acquisition (see rule 14.69) or a major transaction (see rule 14.67) (unless the company being acquired is itself a listed company on the Main Board or GEM).
- 4.02 These requirements do not apply in the case of an issue of debt securities by a State or Supranational.

Scope

- 4.02A For the purpose of rules 4.04(2), 4.04(4), 4.05A and 4.28:—
- (1) "acquisitions of business" include acquisitions of associates and any equity interest in another company. The rules generally do not apply to acquisitions of assets, but the Exchange may consider such transactions to be acquisitions of business based on specific facts and circumstances. For example, the Exchange may consider the substance of the transaction and guidance under relevant accounting standards;
 - (2) "trading record period" refers to the three financial years immediately preceding the issue of the listing document and any stub period reported on by the reporting accountants in conformity with rule 8.06; and

- (3) “proposed to be acquired” refers to a proposal to acquire a specific subsidiary or business, even if there are no legally binding agreements. Examples include a memorandum of understanding entered into by a new applicant, and a tender that a new applicant has submitted, or will submit, for the acquisition of any business or subsidiary in the case of an open bid/ tender invitation.

Reporting Accountants

4.03 Reporting accountants must be independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants or the International Federation of Accountants. Subject to rules 4.03(1) and 4.03(2), accountants’ reports must normally be prepared by practising accountants who are registered and not prohibited under the AFRCO from holding any appointment as auditors of a company.

- (1) Where the preparation of an accountants’ report constitutes a PIE Engagement under the AFRCO, the issuer must normally appoint a firm of practising accountants that is a Registered PIE Auditor under the AFRCO. In the case of such a PIE Engagement that is a reverse takeover or a very substantial acquisition circular issued by a listed issuer incorporated outside Hong Kong relating to the acquisition of an overseas company, the Exchange may be prepared to accept the appointment of an overseas firm of practising accountants that is a Recognised PIE Auditor of that issuer under the AFRCO.

Notes:

1. *The preparation of an accountants’ report included in (a) a listing document for the listing of the shares or stocks of a corporation seeking to be listed or a listed corporation; or (b) a circular issued by a PIE for a reverse takeover or a very substantial acquisition is a PIE Engagement under the AFRCO.*
2. *In relation to an application for the recognition of an overseas firm of practising accountants under the AFRCO, on a request made by an issuer incorporated outside Hong Kong, the Exchange may provide a statement of no objection to that issuer appointing an overseas firm of practising accountants to carry out a PIE Engagement for that issuer under section 20ZF(2)(a) of the AFRCO. Such firm must normally:*
 - (a) *have an international name and reputation;*
 - (b) *be a member of a recognised body of accountants; and*

- (c) *be subject to independent oversight by a regulatory body of a jurisdiction that is a full signatory to the IOSCO MMOU. It would be acceptable if the relevant audit oversight body is not a signatory to the IOSCO MMOU but the securities regulator in the same jurisdiction is a full signatory to the IOSCO MMOU.*

That issuer must provide the specific reasons supporting its request for a statement of no objection, for example:

- *such firm has a geographical proximity and familiarity with the businesses of that issuer or the target;*
- *that issuer or the target is listed on a Recognised Stock Exchange, and such firm is the auditor of that issuer or the target; and*
- *such firm is the statutory auditor of that issuer or the target.*

If applicable, this statement of no objection is also subject to the Commission granting a certificate of exemption from strict compliance with the relevant requirement concerning the qualification of the reporting accountants under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The Exchange retains a discretion to accept or reject an application for a statement of no objection, and reserves the right to withdraw the statement of no objection pursuant to section 20ZF(2)(a) of the AFRCO.

- (2) In the case of an extreme transaction or a major transaction circular issued by a listed issuer in connection with the acquisition of an overseas company, the Exchange may be prepared to permit the accountants' report to be prepared by a firm of practising accountants that is not registered under the AFRCO but which is acceptable to the Exchange. Such a firm must normally:
 - (a) have an international name and reputation;
 - (b) be a member of a recognised body of accountants; and
 - (c) be subject to independent oversight by a regulatory body of a jurisdiction that is a full signatory to the IOSCO MMOU. It would be acceptable if the relevant audit oversight body is not a signatory to the IOSCO MMOU but the securities regulator in the same jurisdiction is a full signatory to the IOSCO MMOU.

Basic Contents of Accountants' Report for a Listing Document

- 4.04 In the case of a new applicant (rule 4.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 4.01(2) the accountants' report must include:—

History of results

- (1) the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Exchange (see rules 8.05A, 8.05B and 23.06);
- (2) the results of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in rule 4.04(1)) in respect of each of the three financial years immediately preceding the issue of the listing document or in respect of each of the financial years since commencement of such business or the incorporation or other establishment of such subsidiary (as the case may be) if this occurred less than three years prior to such issue or such shorter period as may be acceptable to the Exchange (see rules 8.05A, 8.05B and 23.06);

Statement of financial position

- (3)
 - (a) the statement of financial position of the issuer and, if the issuer is itself a holding company, the consolidated statement of financial position of the issuer and its subsidiaries in each case as at the end of each of the three financial years to which the latest audited financial statements of the issuer have been made up except that if the listing document is not required by either section 38(1) or section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to set out the reports specified in Part II of the Third Schedule of that Ordinance and the issuer is itself a holding company then the accountants' report need only include the consolidated statement of financial position of the issuer and its subsidiaries;
 - (b) in the case of banking companies, the statement of financial position as at the end of each of the three financial years prepared in accordance with rule 4.04(3)(a) must include information on the assets and liabilities set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

- (4) (a) the statement of financial position of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (on the same basis, where the subsidiary is itself a holding company, as in rule 4.04(3)) in each case as at the end of each of the three financial years to which the latest audited financial statements of such business or subsidiary (as the case may be) have been made up;
- (b) in the case of banking companies, the statement of financial position as at the end of each of the three financial years prepared in accordance with rule 4.04(4)(a) must include information on the assets and liabilities set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

Notes: For the purpose of rules 4.04(2) and 4.04(4):—

- (1) *if a new applicant has entered into a legally binding acquisition agreement after the trading record period but the acquisition will not be completed upon listing, the completion of the acquisition after the new applicant's listing will not be subject to the notification, disclosure and shareholders' approval requirements under Chapters 14 and 14A (where applicable), only if the new applicant has disclosed all information as required under rules 4.04(2) and 4.04(4) in its listing document and there have been no material changes to the acquisition and information disclosed;*
- (2) *the financial information on the business or subsidiary acquired, agreed to be acquired or proposed to be acquired must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report;*
- (3) *where an acquisition of business or subsidiary is subject to the relevant requirements under the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance because the listing proceeds, or any part thereof, are or is to be applied directly or indirectly for the acquisition, the financial information of the acquisition target has to be disclosed in a separate accountants' report; and*

- (4) *the Exchange may consider an application for a waiver from strict compliance with rules 4.04(2) and 4.04(4) taking into account the following:—*
- (i) *that all the percentage ratios (as defined under rule 14.04(9)) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;*
 - (ii) *if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the Commission in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and*
 - (iii) (a) *where a new applicant's principal activities involve the acquisition of equity securities (the Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which rules 4.04(2) and 4.04(4) relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or*

- (b) *with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under rules 14.58 and 14.60 on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under rules 4.04(2) and 4.04(4)).*

Cash flow statement

- (5) the cash flow statement of the issuer or, if the issuer is itself a holding company, the consolidated cash flow statement of the issuer and its subsidiaries in each case for each of the three financial years to which the latest audited financial statements of the issuer have been made up;

Statement of changes in equity

- (6) a statement of changes in equity of the issuer for each of the three financial years to which the latest audited financial statements of the issuer have been made up;
- (7) [Repealed 31 December 2015]

Other

- (8) the earnings per share and the basis of computation in respect of each of the financial years referred to in rules 4.04(1) and 4.04(2) except that the accountants' report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants' report or if combined results are presented in accordance with rule 4.09 or if the accountants' report relates to an issue of debt securities;

- (9) all movements to and from any reserves including movements arising from:—
- (a) consolidation or acquisition (i.e. the write off of goodwill/establishment of a capital reserve);
 - (b) the revaluation of assets;
 - (c) the translation of financial statements denominated in foreign currencies; or
 - (d) the redemption or repurchase of shares of the issuer,
- if those movements are not reflected in the results in respect of each of the financial years referred to in rules 4.04(1) and 4.04(2);
- (10) a statement of the indebtedness as at the end of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the issuer (or of the issuer and its subsidiaries, including any company which will become a subsidiary by reason of any acquisition falling within rules 4.04(2) and (4)), the aggregate amounts repayable:—
- (a) on demand or within a period not exceeding one year;
 - (b) within a period of more than one year but not exceeding two years;
 - (c) within a period of more than two years but not exceeding five years; and
 - (d) within a period of more than five years;
- (11) the details of the principal accounting policies which have been applied in respect of the period reported on;
- (12) a statement of any significant subsequent events which have occurred to any business or company or within any group covered by the accountants' report since the end of the period reported on or, if there are no such events, a statement of that fact; and
- (13) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

Specific detail concerning financial information

4.05 The report on results and financial position under rules 4.04(1) to (4) must include the disclosures required under the relevant accounting standards adopted and disclose separately the following information:—

- (1) Statement of profit or loss and other comprehensive income
 - (a) profit (or loss) on sale of properties;
 - (b) profit (or loss) before taxation, including the share of the profit (or loss) of associates and joint ventures, with separate disclosure of any items included therein which are exceptional because of size, nature and incidence; and
 - (c) taxation on profits (Hong Kong and overseas) in each case indicating the basis of computation, with separate disclosure of the taxation on share of associates' and joint ventures' profits;
- (2) Statement of financial position information as follows, if applicable:
 - (a) ageing analysis of accounts receivable; and
 - (b) ageing analysis of accounts payable;

Notes: 1 If an issuer/ a company is itself a holding company, the information referred to rule 4.05(2) above is of the consolidated statement of financial position of the issuer/ the company and its subsidiaries.

2 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.

- (3) Dividends
 - (a) rates of dividend paid or proposed on each class of shares (with particulars of each such class) and amounts absorbed thereby and any waivers of dividend except that the accountants' report need not disclose this information:—
 - (i) if combined results are presented in accordance with rule 4.09 and, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the report;

- (ii) if the accountants' report relates to an issue of debt securities; or
 - (iii) in the case of a major transaction; and
 - (b) details of any special dividend proposed to be paid after the date of the accountants' report; and
- (4) in the case of banking companies, the information on results and financial position set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority must be provided in place of that set out in rule 4.05(1) and rule 4.05(2).

Additional disclosure of pre-acquisition financial information for a Listing Document

4.05A Where a new applicant acquires any material subsidiary or business during the trading record period (see rule 4.04(1)) and such an acquisition is made by a listed issuer would have been classified at the date of application as a major transaction (see rule 14.06(3)) or a very substantial acquisition (see rule 14.06(5)), it must disclose pre-acquisition financial information (which should include the full financial statements with information required under rules 4.04 and 4.05) on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report.

Notes: (1) For the purpose of determining whether an acquisition is material and falls within the classification of a major transaction or a very substantial acquisition, reference shall be made to total assets, profits or revenue (as the case may be) for the most recent financial year of the trading record period of the acquired business or subsidiary and this shall be compared to the total assets, profits or revenue (as the case may be) of the new applicant for the same financial year. If the financial year of the acquired business or subsidiary is not coterminous with that of the new applicant, the total assets, profits or revenue (as the case may be) for the most recent financial year of the acquired business or subsidiary should be compared to those of the new applicant for the most recent financial year of its trading record period. For example, if a new applicant's trading record period covers year 1, year 2 and year 3 and it acquired a subsidiary during year 2, the total assets, profits or revenue of the acquired subsidiary for year 3 should be compared to those of the new applicant for year 3; and

- (2) *If a new applicant which is allowed a shorter trading record period under rule 8.05A or 8.05B acquires any material subsidiary or business during its trading record period, it must disclose pre-acquisition financial information of that material subsidiary or business for the period from the three financial years immediately preceding the issue of the listing document (or if such material subsidiary or business commenced its business less than three financial years ago, then from the commencement date of its business) to the date of the acquisition.*

Basic Contents of Accountants' Report for Certain Notifiable Transaction Circulars

- 4.06 In the cases referred to in rule 4.01(3) concerning a circular in connection with a reverse takeover, a very substantial acquisition or a major transaction on the acquisition of a business, company or companies, the accountants' report must include:—

History of results

- (1) (a) the results, for the relevant period, of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up; provided always that where any company in question has not or will not become a subsidiary of the issuer, the Exchange may be prepared to relax this requirement;

Note: For the purposes of this rule, the "relevant period" comprises:

- (1) *in the case of a reverse takeover, each of the three financial years of the business or company immediately preceding the issue of the circular and where applicable a stub period;*
- (2) *in the case of a very substantial acquisition or a major transaction, (i) each of the three financial years of the business or company immediately preceding the issue of the circular and where applicable a stub period; or (ii) if the audited financial statements of the business or company for the latest completed financial year has not been prepared at the time of the issue of the circular, each of the three financial years of the business or company immediately preceding the latest completed financial year and a stub period; or*

(3) *such shorter period as may be acceptable to the Exchange*

provided that the relevant period must have ended 6 months or less before the issue of the circular. If the business or company has been in existence for less than the period set out in (1) or (2) above (as the case may be), the relevant period commences on the commencement of the business or the incorporation or establishment of the company.

- (b) in the case of banking companies, the report on results prepared in accordance with rule 4.06(1)(a) must include the information on results set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

Statement of financial position

- (2) (a) the statement of financial position of the business which, or of the company (and, if that company is itself a holding company, the consolidated statement of financial position of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up, in each case as at the end of each of the three financial years (or the end of each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited financial statements of such business or company (as the case may be) have been made up;
- (b) in the case of banking companies, the statement of financial position as at the end of each of the three financial years (or the end of each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) must include the information on the assets and liabilities set out in the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority;

Cash flow statement

- (3) the cash flow statement of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up, in each case for each of the three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited financial statements of such business or company (as the case may be) have been made up;

Statement of changes in equity

- (4) a statement of changes in equity of the business which, or of the company (or, if that company is itself a holding company, of the company and its subsidiaries) in whose share capital an interest, has been acquired, agreed to be acquired or is proposed to be acquired since the date to which the latest published audited financial statements of the issuer have been made up, in each case for each of the three financial years (or for each of the financial years since commencement of such business or the incorporation or establishment of such company, as the case may be, if less) to which the latest audited financial statements of such business or company (as the case may be) have been made up;
- (5) [Repealed 31 December 2015]
- (6) all movements to and from any reserves including movements arising from:—
 - (a) consolidation or acquisition (i.e. the write off of goodwill/establishment of a capital reserve);
 - (b) the revaluation of assets;
 - (c) the translation of financial statements denominated in foreign currencies; or
 - (d) the redemption or repurchase of shares of the issuer,

if those movements are not reflected in the results in respect of each of the financial years referred to in rule 4.06(1);

- (7) a statement of the indebtedness as at the end of the period reported on showing, as regards bank loans and overdrafts and separately as regards other borrowings of the business or company or company and its subsidiaries covered by the accountants' report, the aggregate amounts repayable:—
- (a) on demand or within a period not exceeding one year;
 - (b) within a period of more than one year but not exceeding two years;
 - (c) within a period of more than two years but not exceeding five years; and
 - (d) within a period of more than five years,
- except that such an analysis of debt repayments need not be included in the case of a major transaction (see rule 14.67);
- (8) the details of the principal accounting policies which have been applied in respect of the period reported on;
- (9) a statement of any significant subsequent events which have occurred to any business or company or company and its subsidiaries covered by the accountants' report since the end of the period reported on or, if there are no such events, a statement of that fact; and
- (10) any other matters which appear to the reporting accountants to be relevant having regard to the purpose of the accountants' report.

4.06A [Repealed 3 June 2010]

4.07 The report on results and financial position under rules 4.06(1) and 4.06(2) must disclose separately the information referred to in rule 4.05.

Requirements Applicable in All Cases

4.08 In all cases:—

- (1) the accountants' report must include a statement of:
 - (a) whether or not the financial statements for the period reported on have been audited and, if so, by whom; and
 - (b) whether or not any audited financial statements have been made up since the end of the last financial period reported on;

- (2) the reporting accountants must express an opinion as to whether or not the relevant information gives, for the purposes of the accountants' report, a true and fair view of the results and cash flows for the period reported on and of the statement of financial position as at the end of each of the period reported on;
- (3) the accountants' report must state that it has been prepared in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 – Accountants' Reports on Historical Financial Information in Investment Circulars (HKSIR 200) issued by the Hong Kong Institute of Certified Public Accountants;
- (4) the reporting accountants must be named in the accountants' report; and
- (5) the accountants' report must be dated.

Individual Or Combined Results

- 4.09
- (1) In the case of a new applicant (rule 4.01(1)) and an offer of securities to the public for subscription or purchase falling within rule 4.01(2), the reporting accountants must report on the consolidated or combined financial history of results and the consolidated or combined statement of financial position of the issuer and its subsidiaries and any business or subsidiary acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up, unless otherwise agreed by the Exchange.
 - (2) In the case of a circular issued by a listed issuer in connection with the acquisition of more than one business and/or company and/or group of companies, the reporting accountants must report on the individual financial histories of results and the individual statements of financial position of each of those businesses, companies or groups of companies referred to in rule 4.06, unless otherwise agreed by the Exchange.

Disclosure

- 4.10 The information to be disclosed in respect of rules 4.04 to 4.09 must be in accordance with best practice which is at least that required to be disclosed in respect of those specific matters in the accounts of a company under the HKFRS, IFRS or CASBE in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements and, in the case of banking companies, the Guideline on the Application of the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("Guideline").

Note: If a new applicant is a banking company organised outside Hong Kong and primarily regulated by a regulator which has functions similar to the Hong Kong Monetary Authority and provides adequate supervision to the applicant, the Exchange may consider an application for a waiver from strict compliance with the disclosure requirement in relation to the Guideline. The applicant must provide alternative disclosure in its listing document, including disclosure on capital adequacy, loan quality, loan provisioning, and guarantees, contingencies and other commitments, that is sufficient for potential investors to make a fully informed investment decision.

Accounting Standards

- 4.11 The financial history of results and the statement of financial position included in the accountants' report must normally be drawn up in conformity with:—
- (a) Hong Kong Financial Reporting Standards (HKFRS); or
 - (b) International Financial Reporting Standards (IFRS); or
 - (c) China Accounting Standards for Business Enterprises (CASBE) in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Note: The issuer must apply one of these bodies of standards consistently and shall not change from one body of standards to the other.

- 4.12 Any significant departure from such accounting standards must be disclosed and explained and, to the extent practicable, the financial effects of such departure quantified.
- 4.13 The relevant standards will normally be those current in relation to the last financial year reported on and, wherever possible, appropriate adjustments must be made to show profits for all periods in accordance with such standards.

Statement of Adjustments

- 4.14 In preparing the accountants' report, the reporting accountants must make such adjustments (if any) as are in their opinion appropriate for the purposes of the accountants' report and state therein that all adjustments considered necessary have been made, or (where appropriate) that no adjustments were considered necessary. Where adjustments are made, a written statement (the statement of adjustments) is required to be published on the Exchange's website and the issuer's own website, and must be signed by the reporting accountants (see paragraph 53 of Appendix D1A and paragraph 43 of Appendix D1B).
- 4.15 The statement of adjustments must set out, for each of the years reported upon, each adjustment made and be sufficiently detailed so as to reconcile the figures in the accountants' report with the corresponding figures in the audited financial statements and must give the reasons therefor.

- 4.16 Where an accountants' report is set out in a listing document the statement of adjustments relating to that report must be submitted to the Exchange in the draft form prescribed in rules 9.11(3c), 9.19(2) and 24.10(7) and in such form in accordance with rule 9.11(28a). In every other case, the statement of adjustments must be submitted to the Exchange at the same time as the proofs of the circular containing the accountants' report are submitted.

Reference to Other Reports

- 4.17 Where the reporting accountants refer to reports, confirmations or opinions of valuers, accountants or other experts, the names, addresses and professional qualifications of such other persons or firms must be stated in the report. In any case, the listing document or circular will be required to include a statement that such other persons or firms have given and have not withdrawn their written consent to its issue with the inclusion of such references in the form and context in which they are included.

Modified Reports

- 4.18 Where the reporting accountants issue a modified report, they must refer to all material matters about which they have reservations. All reasons for the modification must be given and its effect quantified if this is both relevant and practical. A modified report issued by the reporting accountants in respect of a new applicant may not be acceptable where the modification relates to a matter of significance to investors.
- 4.19 Where the accountants' report relates to a very substantial disposal or an acquisition which is a reverse takeover, a very substantial acquisition or a major transaction and the report is expected to include a modified opinion, the Exchange must be consulted at an early stage.

Overseas Issuers and PRC Issuers

- 4.20 Overseas issuers and PRC issuers must also comply with the requirements set out in Chapters 19, 19A, 19C and 36.

Debt Securities of State Corporations and Banks

- 4.21 These requirements are modified in the case of an issue of debt securities by State corporations and banks as set out in rules 33.03 and 34.06.

Additional Matters for Disclosure

- 4.22 Where the business of the issuer necessitates extra disclosure to the members in its annual financial statements by virtue of special legislation, the equivalent disclosure must be made in the report.

General

- 4.23 [Repealed 31 December 2015]
- 4.24 It is emphasised that these requirements are not exhaustive and that further information may be required, or the required information varied, by the Exchange where it considers it necessary. In cases of doubt or difficulty, the reporting accountants must consult the Exchange through the issuer's authorised representative or financial adviser, in the case of a listed issuer, or the issuer's sponsor, in the case of a new applicant.

Pro Forma Financial Information

- 4.25 In the cases referred to in rule 4.01(3) concerning a circular in connection with a major transaction, the pro forma financial information required under rules 14.67(6)(a)(ii) or 14.67(6)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 4.29 in respect of such enlarged group.
- 4.26 In the cases referred to in rule 4.01(3) concerning a circular in connection with a reverse takeover, an extreme transaction or a very substantial acquisition, the pro forma financial information required under rule 14.69(4)(a)(ii) or 14.69(4)(b)(ii) on the enlarged group (i.e. the issuer, its subsidiaries and any business or subsidiary or, where applicable, assets acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up (including but not limited to any business, company or companies being acquired)) must include all the information referred to in rule 4.29 in respect of such enlarged group.
- 4.27 For a circular in connection with a very substantial disposal, the pro forma financial information required under rules 14.68(2)(a)(ii) or 14.68(2)(b)(ii) on the remaining group must include the information referred to in rule 4.29 in respect of the remaining group.

4.28 In the case of a new applicant (rule 4.01(1)) which has acquired or proposed to acquire any businesses or companies, which would at the date of application or such later date of acquisition before listing of the applicant be classified as a major subsidiary, since the date to which the latest audited financial statements of the issuer have been made up, it must include as an appendix to its listing document the pro forma financial information required under rule 4.29 in respect of the enlarged group (i.e. the new applicant, its subsidiaries and any businesses or companies acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up) and the pro forma financial information must be reported on by the reporting accountants as required under rule 4.29(7).

Notes: (1) For the purpose of rule 4.28, all acquisitions or proposed acquisitions since the date to which the latest audited financial statements in the accountants' report of the issuer have been made up, whether of businesses or companies, should be aggregated. If the aggregated total assets, profits or revenue represents 5% or more under any of the percentage ratios as defined under rule 14.04(9), these acquisitions will be deemed to be an acquisition of a major subsidiary for the purpose of rule 4.28. 100% of the major subsidiary's total assets, profits or revenue (as the case may be) or, where the major subsidiary itself has subsidiaries, the consolidated total assets, profits or revenue (as the case may be) of the major subsidiary is to be compared to the total assets, profits or revenue (as the case may be) shown in the issuer's latest audited consolidated financial statements in the accountants' report irrespective of the interest held in the major subsidiary.

(2) Where any of the percentage ratios calculated in accordance with (1) above is 5% or more but is less than 100%, the issuer should disclose, as a minimum, a pro forma statement of assets and liabilities of the enlarged group. Where any of the percentage ratios is 100% or more, the issuer should disclose, as a minimum, a pro forma balance sheet, a pro forma income statement and a pro forma cash flow statement of the enlarged group.

4.29 Where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the Exchange Listing Rules), that information must comply with rules 4.29(1) to (6) and a report in the terms of rule 4.29(7) must be included in the relevant document.

(1) The pro forma financial information must provide investors with information about the impact of the transaction the subject of the document by illustrating how that transaction might have affected the financial information presented in the document, had the transaction been undertaken at the commencement of the period being reported on or, in the case of a pro forma statement of financial position or net asset statement, at the date reported. The pro forma financial information presented must not be misleading, must assist investors in analysing the future prospects of

the issuer and must include all appropriate adjustments permitted by rule 4.29(6), of which the issuer is aware, necessary to give effect to the transaction as if the transaction had been undertaken at the commencement of the period being reported on or, in the case of a pro forma statement of financial position or net asset statement, at the date reported on.

- (2) The information must clearly state:
 - (a) the purpose for which it has been prepared;
 - (b) that it is prepared for illustrative purposes only; and
 - (c) that because of its nature, it may not give a true picture of the issuer's financial position or results.

- (3) The information must be presented in columnar format showing separately the unadjusted financial information, the pro forma adjustments and the pro forma financial information. The pro forma financial information must be prepared in a manner consistent with both the format and accounting policies adopted by the issuer in its financial statements and must identify:
 - (a) the basis upon which it is prepared; and
 - (b) the source of each item of information and adjustment.

Pro forma figures must be given no greater prominence in the document than audited figures.

- (4) Pro forma financial information may only be published in respect of:
 - (a) the current financial period;
 - (b) the most recently completed financial period; and/or
 - (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document;

and, in the case of a pro forma statement of financial position or net asset statement, as at the date on which such periods end or ended.

- (5) The unadjusted information must be derived from the most recent:
 - (a) audited published financial statements, published interim reports or published interim or annual results announcements;
 - (b) accountants' report;
 - (c) previously published pro forma financial information reported on in accordance with rule 4.29(7); or
 - (d) published profit forecast or estimate.
- (6) Any adjustments which are made to the information referred to in rule 4.29(5) in relation to any pro forma statement must be:
 - (a) clearly shown and explained;
 - (b) directly attributable to the transaction concerned and not relating to future events or decisions;
 - (c) factually supportable; and
 - (d) in respect of a pro forma profit or cash flow statement, clearly identified as to those adjustments which are expected to have a continuing effect on the issuer and those which are not.
- (7) The pro forma financial information must be reported on in the document by the auditors or reporting accountants who must report that, in their opinion:
 - (a) the pro forma financial information has been properly compiled on the basis stated;
 - (b) such basis is consistent with the accounting policies of the issuer; and
 - (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to rule 4.29(1).
- (8) Where pro forma earnings per share information is given for a transaction which includes the issue of securities, the calculation is to be based on the weighted average number of shares outstanding during the period, adjusted as if that issue had taken place at the beginning of the period.