

Frequently Asked Question Series 23 – Disclosure of a new applicant’s unaudited net profits/ losses after its track record period in a listing document (Released on 21 June 2013, updated on 8 November 2013, 24 January and 17 October 2014)

Status of “Frequently Asked Question”

The following frequently asked question (FAQ) is designed to help applicants 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 FAQ should refer to the Rules themselves and, if necessary, seek qualified professional advice. The FAQ is not a substitute for the Rules. If there is any discrepancy between the FAQ and the Rules, the Rules prevail.

In formulating our “response”, 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. Contact the Listing Division at the earliest opportunity with any queries.

No.	Relevant Rules and Guidance	Query (<i>Updated in January 2014</i>)	Response (<i>Updated in November 2013 and January 2014</i>)
1	<p>Main Board Rules 11.17 and 11.18</p> <p>GEM Rules 14.29 and 14.30</p> <p>Guidance Letter HKEx-GL27-12 – Guidance on disclosure in listing documents for IPO cases – the "Summary and Highlights" section</p> <p>Guidance Letter HKEx-GL41-12 – Guidance on disclosure requirements for IPO cases - Disclosure of material changes in financial, operational and/ or trading position after trading record</p>	<p>Under Guidance Letters HKEx-GL27-12 and HKEx-GL41-12, a new applicant is required to disclose in its listing document:</p> <ul style="list-style-type: none"> - an update on its operations and financial position since the latest audited financial period/ year, including but not limited to qualitative or quantitative information with commentary on its latest financial performance 	<p>To provide investors with more updated information, the Exchange normally expects a qualitative or quantitative disclosure with commentary on the new applicant’s updated financial information after the track record period be disclosed in the listing document. This is especially when the new applicant shows a deteriorating trend in its revenue or profit. In this regard, the Exchange has previously accepted qualitative or quantitative disclosure with commentary on financial information/ operating data such as revenue, gross profit/ loss, gross profit/ loss margin, average selling price and sale volume. However, disclosure of such information will also depend on the facts and circumstances of each case and new applicants are advised to early consult the Exchange.</p> <p>Where a new applicant discloses its unaudited net profit/ loss figure</p>

<p>period</p> <p>Listing Decision HKEx-LD50-1 on whether a waiver should be granted to Company A to permit it to include in its prospectus a profit estimate of the unaudited financial information of the Group covering a period not coterminous with Company A's financial year-end</p> <p>Listing Decision HKEx-LD54-4 (the relevant decision letter is set out in Guidance Letter HKEx-GL1-06) on whether and how unaudited interim financial information should be included in the prospectus of a new applicant when it had published such information that covered a more recent interim period than that required by the Listing Rules in accordance with the requirements of another exchange on which its shares were listed</p> <p>Listing Decision HKEx-LD54-5 on whether and how unaudited interim financial information of a new applicant's subsidiary should be included in the applicant's prospectus when the subsidiary had published such information in accordance with the requirements of another exchange on which its shares were listed</p>	<p>and profitability, and significant non-recurrent items in income statements; and</p> <ul style="list-style-type: none"> - qualitative or quantitative disclosure with commentary on how the adverse changes affect the financial, operational and/ or trading position after the track record period. <p>Whether a new applicant, as part of the disclosure required under Guidance Letters HKEx-GL27-12 and HKEx-GL41-12, can disclose its unaudited net profits/ losses before or after tax after the track record period in its listing document?</p>	<p>or financial figures which can explicitly or implicitly result in an investor ascertaining the applicant's estimated level of profits/ losses since the latest audited period end (e.g. disclosure of both revenue figure and net profit margin percentage), this will constitute a profit forecast/ estimate under the Listing Rules and should be subject to relevant rule requirements:</p> <ul style="list-style-type: none"> • Main Board Rule 11.17/GEM Rule 14.29 – The profit forecast/ estimate should be reviewed and reported on by the reporting accountants and the sponsor, and their reports must be set out in the listing documents. • Main Board Rule 11.18/GEM Rule 14.30 – Any profit forecast/ estimate appearing in a listing document should cover a period which (i) is coterminous with the new applicant's financial year end; or (ii) ends at a half year-end (or a quarter year-end in the case of a GEM applicant). In the latter case, the new applicant must undertake that the interim report (or quarterly report as the case may be) for that period will be audited. <p>If a new applicant discloses its unaudited net profits/ losses before or after tax after the track record period covering a period other than a six or 12-month period (or quarter period in the case of GEM applicant) set out in Main Board Rule 11.18/GEM Rule 14.30, e.g. for a four-month period, it must apply for a waiver from the Exchange.</p> <p>The Exchange will consider the waiver application and may, based on the applicant's facts and circumstances, impose conditions including but not limited to the following:</p> <ul style="list-style-type: none"> (i) the applicant must have the profit forecast/ estimate reviewed and reported on by (a) the reporting accountants under Hong Kong Standard on Investment Circular
--	--	--

			<p>Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness”; and (b) the sponsor, which is in line with the requirements under Main Board Rule 11.17/ GEM Rule 14.29 (<i>Updated in October 2014</i>);</p> <p>(ii) the applicant must publish an audited report on the relevant financial period of the profit forecast/ estimate as disclosed in the listing document after the applicant’s listing; and</p> <p>(iii) the applicant must disclose details of the waiver application in its listing document.</p> <p>If the new applicant’s unaudited financial information after the track record period is already published in a jurisdiction outside Hong Kong, the applicant can refer to Listing Decisions HKEx-LD54-4 (where the applicant itself is listed on another exchange) or HKEx-LD54-5 (where the applicant’s subsidiary is listed on another exchange) for detailed guidance. These Listing Decisions require, amongst others, that the published unaudited interim financial information be included in the listing document of the new applicant together with a review report by an independent auditor in accordance with International/Hong Kong Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” or International/Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements”.</p> <p>If you have any questions on the above, please early consult the Listing Division.</p>
--	--	--	---