

HKEx News Release

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THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

ANNOUNCEMENT

Clarification of Formal Reporting Requirements for Profit Forecasts by Main Board Issuers and Obligations of Main Board and GEM Issuers on the Release of Price Sensitive Information

The Stock Exchange of Hong Kong Limited (the Exchange) would like to clarify that for Main Board issuers the formal reporting requirement for a review by reporting accountants of a profit forecast is only applicable in circumstances where the profit forecast is included in a listing document or an announcement or a circular issued in connection with a notifiable or connected transaction.

Listed issuers have a general obligation to regularly inform the market with updated financial and other information about their companies but any release of profit forecast information should be made only after due care and by means of a public announcement.

Formal reporting requirements for profit forecasts by Main Board issuers

The Exchange would like to clarify that the Listing Rules do not require the release of a "profit forecast" which is defined under Main Board Listing Rules 11.17 and 14.61 as:-

"...any forecast of profits or losses, however worded, and includes any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses, either expressly or by reference to previous profits or losses or any other benchmark or point of reference..."

The Exchange would also like to clarify that when a profit forecast is made public by a Main Board issuer, the requirement for the profit forecast to be reviewed by reporting accountants is not triggered automatically. A review and public report by reporting accountants is only necessary in circumstances where the profit forecast is included in a listing document, or an announcement or a circular issued in connection with a notifiable or connected transaction as set out in Chapters 11, 14 and 14A of the Main Board Listing Rules. By contrast, GEM Listing Rule 17.55 requires that formal reporting by reporting accountants applies whenever an announcement, advertisement or any other document contains a profit forecast.

However, although not expressly stated in the rules, where a suspended Main Board issuer is required to submit a formal resumption proposal and that proposal includes a profit forecast, the Exchange expects that the profit forecast will be reported on by independent accountants.

~~Obligations of Main Board and GEM issuers on the release of price sensitive information~~

Listed issuers have a general obligation under Main Board Listing Rule 13.09 (GEM Listing Rule 17.10) to keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including

~~information on any major new developments in the group's sphere of activity which is not public knowledge) which:-~~

- ~~(a) is necessary to enable them and the public to appraise the position of the group; or~~
- ~~(b) is necessary to avoid the establishment of a false market in its securities; or~~
- ~~(c) might be reasonably expected materially to affect market activity in and the price of its securities.~~

~~The Board of a listed issuer, on the advice of its senior management, must carefully and continuously consider whether changes in its financial condition, in the performance of its business or in its expectation as to its performance may be price sensitive such that, if made public, they would be reasonably expected to affect market activity in and the price of its securities, and so require disclosure under the Listing Rules. When such changes exist or are under consideration, a listed issuer should also consult its financial advisers at the earliest possible time.~~

~~Where a listed issuer intends to release price sensitive information such information should be released only after due care and by means of a public announcement. Listed issuers should follow the general principles set out in Main Board Listing Rule 2.13 (GEM Listing Rule 2.18) which requires that the information disclosed must be accurate and complete in all material respects and not be misleading or deceptive. Listed issuers are encouraged to follow the Exchange's "Guide on disclosure of price sensitive information" issued in January 2002, which is available on the HKEx website (<http://www.hkex.com.hk/eng/rulesreg/listrules/listguid/documents/full-e.pdf>).~~

~~The need to take due care prior to releasing price sensitive information does not absolve a listed issuer of responsibility to announce such information as soon as reasonably practicable. The period of time which it is reasonable for a listed issuer to take in making an announcement under the Listing Rules regarding a change in its expectations which is viewed as price sensitive will depend upon all the circumstances relevant to the particular situation in which the change occurs. However, save in exceptional circumstances, a listed company issuer must prioritise its disclosure obligations under the Listing Rules.~~

~~The principles set out above apply in particular to circumstances where a profit forecast is released in connection with a listing document or an announcement or circular issued in connection with a notifiable or connected transaction under Chapters 11, 14 and 14A of the Main Board Listing Rules (Chapters 14, 19 and 20 of the GEM Rules) and equally where an issuer decides to release a profit forecast on a voluntary basis.~~

Note:

- **Following the statutory backing of an issuer's continuing obligation to disclose inside information, consequential amendments were made to the Rules with effect from 1 January 2013. The old Rule 13.09(1) is now replaced by Rules 13.09(1) and (2)(a) which require disclosure of (i) information necessary to avoid a false market and (ii) inside information which requires disclosure under the Inside Information Provisions.**

(Added in January 2013)