

HKEx LISTING DECISION
Cite as HKEx-LD50-2 (March 2006)

Summary	
Name of Party	Company A – a Main Board listing applicant and its subsidiaries (the ‘Group’)
Subject	Whether a waiver from the strict compliance of Listing Rule 8.21 should be granted to Company A to enable it to change its financial year end date such that it conformed with the financial year end dates of the majority of the entities that comprised the Group?
Listing Rule	Listing Rule 8.21
Decision	The Exchange determined that a waiver from the strict compliance of Listing Rule 8.21 would be granted to Company A to allow a change in its financial year end date to conform with the financial year end dates of the majority of the entities within the Group.

SUMMARY OF FACTS

1. Company A was an investment holding company. Apart from investment holding, it did not and had not carried on any substantive business activities during the track record period. Company A applied for listing on the basis that it was able to fulfil the listing requirements under the market capitalisation/revenue test in Listing Rule 8.05(3).
2. Company A previously adopted 31 March as its financial year end date but proposed to change this to 31 December immediately prior to listing to conform to the majority of entities that comprised the Group. Company A applied for a waiver from the strict application of Listing Rule 8.21.

THE ISSUE FOR CONSIDERATION

3. Whether a waiver from the strict compliance of Listing Rule 8.21 should be granted to Company A to enable it to change its financial year end date such that it conformed with the financial year end dates of the majority of the entities that comprised the Group?

APPLICABLE LISTING RULE OR PRINCIPLE

4. Listing Rule 8.21 states that:
 - (1) Subject to (2) below the Exchange will not normally consider an application for listing for a new applicant which:
 - (a) has changed the period of its financial year during the latest complete financial year (being twelve months) immediately preceding the proposed date of issue of the listing document; or
 - (b) intends to change the period of its financial year during the period of the profit forecast, if any, or the current financial year, whichever is the longer period.
 - (2) Notwithstanding (1) above, a subsidiary of the new applicant will normally be permitted to change the period of its financial year provided that :
 - (a) the change is to make the subsidiary's financial year coterminous with that of the new applicant;
 - (b) appropriate adjustments are made in the trading record and profit forecast and such adjustments are fully explained in statements which must be provided to the Exchange; and
 - (c) adequate disclosure is provided in the listing document and the accountants' report of the reason for the change and the effect of the change on the new applicant's group trading record or profit forecast.

THE ANALYSIS

5. The Exchange considered that the intention of Listing Rule 8.21 was to prevent new listing applicants from manipulating profits so as to satisfy the profit requirements under Listing Rule 8.05(1) by changing the financial year end date.
6. In the present case, the Exchange considered the following factors in deciding whether to allow Company A to change its financial year end date:

- a. the majority of the entities that comprised the Group in terms of turnover, profit, assets and liabilities had their operations in the People's Republic of China (the 'PRC'). According to the relevant accounting laws in the PRC, these entities were required to adopt 31 December as their financial year end date;
- b. the turnover, profit, and results of the Group's business had not shown a pattern of seasonality that would materially affect the proposed presentation of financial information;
- c. the Exchange accepted the submissions that the change in the financial year end date of Company A would not result in any omission of material information; and
- d. the Exchange accepted that the policy rationale of Listing Rule 8.21 requirements would not be circumvented by the proposed change given that Company A would fulfil the requirements of Listing Rule 8.05(3).

THE DECISION

7. Based on the facts and circumstances of the case and the Exchange's analysis of the Listing Rules, the Exchange determined that a waiver from the strict compliance of Listing Rule 8.21 would be granted to Company A to allow a change in its financial year end date to conform with the financial year end dates of the majority of the entities within the Group.