

## **HKEX GUIDANCE LETTER**

**HKEX-GL58-13 (July 2013) (Updated in September and October 2014 and February 2019)**

<b>Subject</b>	<b>Guidance on confirmations required on the accountants' report, pro forma financial information and profit forecast in Application Proofs and subsequent draft listing documents</b>
<b>Listing Rules and Regulations</b>	<b>Main Board Rules 4.04(1), 8.06, 9.03(3) GEM Rules 7.03(1), 11.11, 12.09</b>
<b>Related Publication</b>	<b>HKEX-GL56-13 – Guidance on (i) disclosure requirements for substantially complete Application Proofs; and (ii) publication of Application Proofs and Post Hearing Information Packs on the Exchange's website</b>
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**Important note:** *This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Department on a confidential basis for an interpretation of the Listing Rules or this letter.*

### **1. Purpose**

- 1.1 This letter provides guidance on confirmations required on the accountants' report, pro forma financial information and profit forecast in Application Proofs and subsequent draft listing documents.
- 1.2 The Exchange expects applicants to follow this guidance letter when preparing their listing applications. An applicant that does not follow this guidance may render the listing application not considered substantially complete as required under the Listing Rules.

### **2. Relevant Listing Rules**

- 2.1 Main Board Rule 4.04(1) (GEM Rule 7.03(1)) requires the accountants' report to include 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 (at least 2 financial years for GEM applicants) immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Exchange.
- 2.2 Main Board Rule 8.06 (GEM Rule 11.11) requires the latest financial period reported on by the reporting accountants must not have ended more than six months before the date of the listing document.

For example, for a listing applicant expected to issue its listing document in December 2012, the latest financial period reported on in the Accountants' Report must have ended on or after 30 June 2012.

- 2.3 Main Board Rule 9.03(3) (GEM Rule 12.09) provides, among others, that a new applicant must submit a listing application form, an Application Proof and all other relevant documents under Main Board Rule 9.10A(1) (GEM Rules 12.22 and 12.23), and the information in these documents must be substantially complete except in relation to information that by its nature can only be finalised and incorporated at a later date. If the Exchange decides that this information is not substantially complete, the Exchange will not continue to review any documents relating to the listing application.

### 3. Guidance

- 3.1 Subject to the relief under Guidance Letter HKEX-GL56-13, an Application Proof must comply with the following to fulfill the new listing rules requirements:-
- (a) a signed copy of each of (1) the accountants' report on historical financial information, (2) the reporting accountants' report on the pro forma financial information and (3) the reporting accountants' report on profit forecast (if any) (the "**Reports**") are required when the Application Proof is submitted; or
  - (b) where the financial information is not in a final form, it must be in an advanced form. The reporting accountants must provide a confirmation to the applicant with a copy of it be made to the sponsor, the Exchange and the Securities and Futures Commission that no significant adjustment is expected to be made to the draft Reports based on the work done as of the date of the confirmation. A template of the reporting accountants' confirmation is in the **Appendix**.
- 3.2 Where there is a delay in the listing timetable that results in the historical financial information, pro forma financial information or profit forecast (if any) being updated, the reporting accountants must also provide a confirmation similar to that in paragraph 3.1(b) on the updated financial information at the same time the information is submitted to the Exchange. The Exchange may raise comments on the updated financial information.

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## Appendix

### Suggested template of the reporting accountants' confirmation

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1. This confirmation is made in respect of the *[draft accountants' report on historical financial information/ draft accountants' report on pro forma financial information/ draft accountants' report on the profit forecast (collectively, the “draft Reports”)\*] [and the financial information for the [nine] months ended X\*]* in the draft prospectus of [XYZ] (the “**Company**”) dated [date] (the “**Draft Prospectus**”).
2. This confirmation is subject to the following procedures which have not been completed as of [date]:
  - [Subsequent event review;
  - Resolution of items identified by “[ ]” and “ • ” in the draft Reports;
  - Obtaining the underlying financial statements, pro forma financial information and profit forecast memorandum in final form, each having been approved by the directors of the Company;
  - Obtaining outstanding external expert reports and confirmations;
  - Reviewing the completion of the re-organization described on page [x] of the Draft Prospectus; and
  - Reading the final Prospectus]

*Note: The Exchange expects any outstanding procedures to be minimal. If there are other outstanding procedures, an applicant should consult the Exchange before submission of its listing application.*

#### Accountants' report on historical financial information

3. For the financial information of the Company and its subsidiaries (the “**Group**”) for the [three] years ended [31 December 2010, 2011 and 2012] and [three] months ended [31 March 2013] as set out on pages [x] to [x] of the Draft Prospectus (the “**Financial Information**”), subject to the completion of the procedures highlighted in paragraph 2 above, we have performed procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant”<sup>1</sup> issued by the Hong Kong Institute of Certified Public Accountants. The draft accountants' report on the Financial Information is set out in Appendix [x] to the Draft Prospectus.
4. Subject to the completion of the procedures highlighted in paragraph 2 above, as of the date of this confirmation, we confirm that no significant adjustment is expected to be made to the draft accountants' report on the Financial Information included in the Draft Prospectus.
5. We have also reviewed the Group's financial information for the [nine] months ended [x] and the comparative information (the “**Interim Financial Information**”) in accordance with the Hong Kong Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, subject to completion of the procedures highlighted in paragraph 2 above. The Interim

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<sup>1</sup> Auditing Guideline 3.340 was superseded by Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” (HKSIR 200), which became effective for engagements where the investment circular is dated on or after 1 July 2017. **(Added in February 2019)**

**Appendix**

**Suggested template of the reporting accountants' confirmation**

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Financial Information and our draft report are in Appendix [x] to the Draft Prospectus.

Pro forma financial information

6. For the Group's pro forma financial information ("**Pro Forma Financial Information**") on pages [x] of the Draft Prospectus, subject to the completion of the procedures highlighted in paragraph 2 above, we have performed procedures in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. The draft accountants' report on Pro Forma Financial Information is in Appendix [x] of the Draft Prospectus. Subject to the completion of the procedures highlighted in paragraph 2 above and based upon the Directors' assumptions in Appendix [x] to the Draft Prospectus, as of the date of this confirmation, we are not aware of any significant modification that would need to be made to the draft accountants' report on Pro Forma Financial Information in the Draft Prospectus.

Profit forecast [to be inserted where appropriate]

7. For the Group's profit forecast for the year ending [31 December 2013] prepared by the Directors (the "**Profit Forecast**") in Appendix [x] of the Draft Prospectus, subject to the completion of the procedures highlighted in paragraph 2 above, we have reviewed the calculations of and the accounting policies adopted in arriving at the Profit Forecast in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" issued by the HKICPA. The draft accountants' report on the Profit Forecast is in Appendix [x] of the Draft Prospectus. Subject to the completion of the procedures highlighted in paragraph 2 above and based upon the Directors' assumptions in Appendix [x] of the Draft Prospectus, as of the date of this confirmation, we are not aware of any significant modification that would need to be made to the draft accountants' report on the Profit Forecast in the Draft Prospectus (**Updated in October 2014**).

Use of information

8. This confirmation is for your information only and a copy of it will be provided to the sponsor, the Exchange and the Securities and Futures Commission in connection with the Company's listing application. Except as otherwise expressly authorised, no copying, reproduction, or distribution of the information in this confirmation is permitted without the prior written permission of [name of the reporting accountants], save as required by applicable laws or regulations.

Signed by: \_\_\_\_\_

(Name of the reporting accountants)

Date: \_\_\_\_\_

\* Delete where appropriate