

HKEX GUIDANCE LETTER

HKEX-GL6-09A (July 2013) (Updated in January 2014, May 2014 and February 2017)

Subject	Guidance on the financial information for the trading record period expected in the first draft listing document for listing applications
Listing Rules and Regulations	Main Board Rules 4.29, 8.06 and 9.03(3), GEM Rules 7.31, 11.11 and 12.09
Related Publications	HKEX-GL58-13 – Guidance on confirmations required on the accountants’ report, pro forma financial information and profit forecast in Application Proofs and subsequent draft listing documents
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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 A sponsor must, before submitting the listing application and related documentation on behalf of an applicant to the Exchange, come to a reasonable opinion that the information in the Application Proof and related documentation is substantially complete except for information that by its nature can only be finalised and incorporated at a later date.
- 1.2 This letter sets out our administrative practices on accepting an accountants’ report covering a period shorter than the trading record period in the Application Proof for Main Board and GEM if the Application Proof is filed **after** the end of the most recent financial year of its trading record period. Any listing application filed with the Exchange before the end of an applicant’s most recent financial year will be returned for not being substantially complete. ***(Updated in February 2017)***
- 1.3 The trading record period for a listing applicant is the three (Main Board Rule 4.04) or two financial years (GEM Rule 7.03) immediately preceding the issue of the listing document¹ and any stub period as required to satisfy Main Board Rule 8.06² or GEM Rule 11.11² (as the case may be). ***(Added in February 2017)***
- 1.4 References herein to the most recent financial year shall mean the last financial year of the trading record period. ***(Added in February 2017)***

¹ The date of the issue of the listing document refers to such date stated in the applicant’s listing time table.

² Reference to the listing document in Main Board Rule 8.06 or GEM Rule 11.11 is to the final issued listing document.

2. Background (*Updated in February 2017*)

2.1 In 2005, we announced certain administrative practices designed to:

- (a) reduce seasonality of IPO applications filed in the first and second quarters of the calendar year as applicants' financial year often ends at the end of a calendar year or the first quarter of a calendar year; and
- (b) ensure that we receive a reasonable level of financial information to enable us to commence our review of the first draft listing document.

3. Applicable Listing Rules

3.1 Main Board Rule 8.06 (GEM Rule 11.11) provides that, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

3.2 Main Board Rule 9.03(3) (GEM Rule 12.09) provides, among other things, 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 this information is not substantially complete, the Exchange will return the application. (*Updated in February 2017*)

3.3 Except as otherwise provided in this Guidance Letter or in the Listing Rules, a listing application that does not include the financial information covering its trading record period in an audited or advanced form will not be substantially complete. (*Added in February 2017*)

4. Revised Administrative Practices

Applicants filing within two months after the end of their most recent financial year (Updated in February 2017)

4.1 A listing application filed within two months after the end of an applicant's most recent financial year may omit the financial information for the most recent financial year in an audited or advanced form if the following are included:

- (a) a sponsor's confirmation that it is beyond reasonable doubt that the applicant will satisfy Main Board Rule 8.05 (GEM Rule 11.12A for a GEM applicant) or other financial standard requirements following its due diligence review under Chapter 3A and Practice Note 21 of the Main Board Rules (Chapter 6A and Practice Note 2 of the GEM Rules); and
- (b) in the Application Proof:
 - (i) for Main Board applicants, the audited financial information for the first two financial years of the three-year trading record period (e.g. if an applicant's trading record period is from 1 January 2010 to 31 December 2012, it must

include its audited financial information for 2010 and 2011) in the Accountants' Report and related management discussion and analysis ("**MD&A**");

for GEM applicants, the audited financial information for the first financial year of the two-year trading record period (e.g. if an applicant's trading record period is from 1 January 2011 to 31 December 2012, it must include its audited financial information for 2011) in the Accountants' Report and related MD&A; and

- (ii) financial information for a stub period of at least nine months and comparative information and the related MD&A. For example:
- if a Main Board applicant's three-year trading record period is from 1 January 2010 to 31 December 2012, it must include its stub period financial information for at least nine months ended 30 September 2012 and the comparative information for the nine months ended 30 September 2011; and
 - if a GEM applicant's two-year trading record period is from 1 January 2011 to 31 December 2012, it must include its stub period financial information for at least nine months ended 30 September 2012 and comparative information for the nine months ended 30 September 2011.

Notes:

1. The stub period financial information and comparative information must be at least reviewed by reporting accountants in accordance with the Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".
2. The stub period financial information can either be part of the Accountants' Report or in a separate appendix to the Application Proof and must at least include the information as required under paragraph 37 of Appendix 16 to the Main Board Rules in relation to interim reports³ (GEM Rule 18.55). (***Updated in January 2014***)
3. The audited financial information and the reviewed stub period financial information must be presented in the same table together with the related MD&A in the "Financial Information" section of the Application Proof for easy comparison and review.

³ Hong Kong Accounting Standard 34 "Interim Financial Reporting" allows disclosure of condensed financial statements or complete set of financial statements in interim financial reports. For the purposes of the stub period financial information under this guidance letter, both condensed financial statements or complete set of financial statements are acceptable as long as they comply with the requirements under notes 1 to 3 above, in particular the stub period financial information should at least include the same items as in the audited financial information for easy comparison and review.

Applicants filing after two months after the end of their most recent financial year (Updated in February 2017)

4.2 A listing application filed after two months after the end of an applicant’s most recent financial year may include the financial information covering a stub period shorter than that required under Main Board Rule 8.06/ GEM Rule 11.11 as follows:-.

Time of filing:	Example of date of filing	Financial information required in the Application Proof	
		Audited financial information and the related MD&A	Stub period financial information and comparative information, and the related MD&A
After two months after the end of its most recent financial year			
<u>AND</u> less than six months after the end of its most recent financial year	A MB applicant with trading record from 1 January 2010 to 31 December 2012 filing between 1 March 2013 and 30 June 2013	Three financial years* of the trading record period	None
<u>AND</u> more than six months but less than eight months after the end of its most recent financial year	A MB applicant with trading record from 1 January 2010 to 31 December 2012 filing between 1 July 2013 and 31 August 2013	Three financial years* of the trading record period	Stub period of at least three months**
<u>AND</u> more than eight months but less than 12 months after the end of its most recent financial year	A MB applicant with trading record from 1 January 2010 to 31 December 2012 filing between 1 September 2013 and 31 December 2013	Three financial years* of the trading record period	Stub period of at least six months** <i>(Note)</i>

* Two-year trading record period for GEM applicants.

** See notes to paragraph 4.1 above

Note: A listing applicant listing shortly after the end of its most recent financial year may omit the full financial information for its most recent financial year if it obtains a waiver from Main Board Rule 4.04/ GEM Rules 7.03(1) and 11.10 pursuant to Guidance Letter HKEX-GL25-11.

4.3 In addition to the requirements under paragraphs 4.1 and 4.2 (where applicable), an applicant relying on this Guidance Letter shall provide the following:-

(a) with the listing application, a confirmation from the reporting accountants (“**RA’s Confirmation**”) to the applicant and copied to the sponsor, the Exchange and the Securities and Futures Commission, that no significant adjustment is

expected to be made to the financial years which must be subject to an audit under this guidance letter (see paragraphs 4.1 and 4.2 above) based on the work done as of the date of the RA's Confirmation and, if applicable, that they have substantially completed a review of the stub period financial information according to Hong Kong Standards on Review Engagements 2410. A template of the RA's Confirmation is in Appendix to Guidance Letter HKEX-GL58-13; and

- (b) financial information for the complete trading record period and the RA's Confirmation on such complete financial information as soon as practicable.

Inclusion of financial information of a company or business acquired or to be acquired after the latest audited financial year/ period end (Updated in February 2017)

4.4 If an applicant has acquired or intends to acquire a company or business (the "Target") since the latest audited (or advanced draft) accounts have been made up (the "Acquisition"), the Application Proof must include:-

- (a) financial information of the Target under Rules 4.04(2) and 4.04(4)(a); and
- (b) if the Acquisition falls under Main Board Rule 4.28 (GEM Rule 7.30), pro forma information of the enlarged group under Main Board Rule 4.29 (GEM Rule 7.31).

4.5 The financial information as required under paragraphs 4.4(a) and 4.4(b) above can be omitted in the Application Proof if the applicant's trading record period covers the Acquisition. The complete financial information must be included in a subsequent proof as soon as practicable.

4.6 For the avoidance of doubt, pre-acquisition financial information for acquisitions during the trading record period must be included in the Application Proof if required under Main Board Rule 4.05A (GEM Rule 7.04A).

5. General (Updated in February 2017)

5.1 The administrative practices in this Guidance Letter apply similarly to an applicant who applies for listing with a shorter trading period under Main Board Rules 8.05A and 8.05B (GEM Rule 11.14). For example, a Main Board listing applicant applying for listing within two months after the end of its trading record period and with a track record of two years ended 31 December 2012 (Main Board Rules 8.05A or 8.05B) may include in its Application Proof, only audited financial information for the year ended 31 December 2011 and the stub period financial information for at least nine months ended 30 September 2012, if it provides the confirmation in paragraph 4.1(a) above.

5.2 An applicant should plan its listing timetable to allow the regulators sufficient time to review the final year-end or latest stub period financial information subsequently provided. Otherwise, its listing hearing timetable may be delayed.

5.3 These revised administrative practices do not affect an applicant's obligations under Main Board Rule 8.06 (GEM Rule 11.11) and the requirements for submission of

accountants' reports and statement of adjustments (if any) under Chapter 9 of the Main Board Rules (Chapter 12 of the GEM Rules).

6. Effective date (*Updated in February 2017*)

6.1 This Guidance Letter is effective from 1 October 2013.
