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# Exchange Publishes Guidance Letter HKEx-GL6-09A on Financial Information for the Trading Record Period Expected in the First Draft Listing Document for Listing Applications

The Stock Exchange of Hong Kong Limited (the **Exchange**) has published guidance letter [HKEx-GL6-09A](http://www.hkex.com.hk/eng/rulesreg/listrules/listguid/iporq/Documents/gl6-09a.pdf) ([see archive](gl6-09a.pdf)) (the **Guidance Letter**), setting out the administrative practices of the Exchange on accepting early filings of listing applications as well as requirements on financial information expected to be contained in the Application Proof (defined in the Listing Rules to mean the a substantially complete draft listing document) to be submitted to the Exchange together with listing application. This Guidance Letter will replace the guidance letter HKEx-GL6-09 (**old guidance letter**) and shall become applicable to all listing applications submitted on or after 1 October 2013.

The Guidance Letter makes certain revisions to the administrative practice in connection with acceptance of listing applications. From 1 October 2013, the following new requirements will be applicable in connection with acceptance of applications:

1. for applicants filing within two calendar months after the end of their three-year trading period but are unable to include financial information of the most recent financial year in audited or financial form, then the application must include:
   1. a sponsor’s confirmation that the applicant will satisfy one of the three financial tests for listing (i.e. the profit test; the market capitalisation/revenue cash flow test; or the market capitalisation/revenue test) as set out in Main Board Rule 8.05 (GEM Rule 11.12A) or other financial standard requirements following its due diligence review [[1]](#footnote-25) (**Sponsor’s Confirmation**);
   2. audited financial information available (i.e. first two financial years for Main Board applicants and first financial year for GEM applicants) and related management discussion and analysis (**MD&A**);[[2]](#footnote-26)
   3. stub period figures of at least 9 months from end of period of audited period and comparable information and related MD&A
2. for applicants filing after two calendar months but less than six calendar months after the end of their three-year trading period, Sponsor’s Confirmation and the audited financial information for the entire three years of trading record period;
3. for applicants filing more than six calendar months but less than eight calendar months after the end of their three-year trading period, Sponsor’s Confirmation, the audited financial information for the entire three years of trading record period as well as stub period financial information and comparative information of at least three months;
4. for applicants filing more than eight calendar months but less than twelve calendar months after the end of their three-year trading period, Sponsor’s Confirmation, the audited financial information for the entire three years of trading record period as well as stub period financial information and comparative information of at least six months.

## Stub period financials and comparative information

The Guidance Letter also sets out requirements relating to sub period financials and comparative information. In particular, it:

1. must at least include the information required for interim reports under paragraph 37 of Appendix 16 to the Main Board Rules (GEM Rule 18.55)
2. must be reviewed by the reporting accounts in accordance with the Hong Kong Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”;
3. may be part of the Accountants’ Report or in a separate appendix to the Application Proof; and
4. must be presented with audited financial information in the same table together with the related MD&A in the financial information section of the Application Proof.

## Pro forma information of the enlarged group (under certain circumstances)

The requirements in connection with the inclusion of pro forma information of enlarged group following acquisition or proposed acquisition of a company or business of the listing application since the latest audited accounts (as required under Main Board Rule 4.29 (GEM Rule 7.31)) has not materially changed. This means that such information be precluded from the Application Proof as long as such information are included in subsequent draft listing documents and available in the hearing proof for the Listing Committee hearing. Pre-acquisition information however must be included in the Application Proof.

## Other guidance

The Guidance Letter states that requirements set out therein shall also apply to applicants with shorter trading record periods allowed under Main Board Rules 8.05A and 8.05B (GEM Rule 11.14). In such cases, the audited financial information required in the Application Proof will be for the period since the beginning of the shorter trading record period.

The Exchange recommends planning the listing timetable to allow sufficient time for the regulators to review the final year-end or latest stub period financial information subsequently provided under this Guidance Letter.

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1. Unlike previous practice, the sponsor is no longer required to confirm its demonstrable effort and good faith in producing the advanced draft listing document or that the Exchange will have enough information to begin its substantive review of the listing application. [↑](#footnote-ref-25)
2. This requirement has not changed from the old guidance letter. [↑](#footnote-ref-26)