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Welcome to the first edition of KPMG China’s Hong Kong Capital Markets Update for 2014. The last few months of 2013 have seen progress on a number of regulatory developments in the Hong Kong capital markets. One of the most significant changes was the new IPO sponsor regime that came into effect on 1 October 2013 and the related amendments to the Listing Rules. The Hong Kong Stock Exchange (“HKEx” or the “Exchange”) has also published a number of new and revised guidance letters to complement the new IPO regime. A summary of the key provisions of the new sponsor regulation, Listing Rule changes and HKEx new/revised guidance letters is set out in Appendix I to this issue.

For many, 2013 was a year of regulatory changes and updates that rattled many aspects of the Hong Kong capital markets, particularly in respect of the IPO vetting process. As we move into 2014 we should expect to see more practical effects of those regulatory changes consummated in 2013.

In this issue, we also provide a summary of other HKEx guidance letters and listing decisions that were published during the last few months of 2013. Other matters highlighted include an update on the reverse takeover (“RTO”) rules and the revised joint policy statement in respect of listing of overseas companies.

# 1 HKEx Guidance letters

Guidance letters ("GL") published by the Exchange since our last issue, other than those related to the new sponsor regulations which are set out in Appendix I, are summarised below:

## New Guidance Letters

- In [GL69-13](#) (December 2013), the Exchange provided guidance to issuers contemplating (i) **a spin-off and separate listing of businesses or assets on the Exchange**; or (ii) **a RTO where the issuer is deemed a new listing applicant**. In these circumstances, the issuer group (or the enlarged group) may have to fulfil both requirements applicable to listed issuers and to new applicants under the Listing Rules.

In a spin-off, the issuer is required to comply with Practice Note 15 and the continuing listing obligations under the Listing Rules, and the company being spun-off must also meet new listing requirements. Where there are ongoing relationships/transactions between the two entities, the issuer should give due consideration to potential conflicts between interests of the two groups of shareholders and resolve the matters before submission of a listing application.

In a RTO, the issuer is required to ensure that the enlarged group or the assets to be acquired must meet the track record requirements for a new listing and the enlarged group must also be able to meet all the other new listing requirements under the Listing Rules. In December 2013, the Securities and Futures Commission ("SFC") published a report including findings on a review of the application and administration of the RTO rules, details of which have been set out in section 3 below.

- [GL68-13](#) (December 2013) provided guidance on factors that the Exchange would take into consideration when assessing whether an applicant and its business are **suitable for listing** under Main Board ("MB") Listing Rule 8.04. Certain factors that the Exchange would focus on include:

**Suitability of director and controller shareholders** – while having a past non-compliance record or conviction does not necessarily mean that a person cannot be accepted as a director of a listed company, considerations must be taken as to whether such matters raise serious concern on the individual's integrity and whether the individual is likely to exert substantial influence on the listing applicant after listing even if he/she is not formally appointed as a director (known as a "shadow director").

**Non compliance** – the Exchange considers that systematic, intentional and/or repeated breaches of laws and regulations by a listing applicant may affect its suitability for listing. Whether the listing applicant has effective internal control to avoid future non-compliance or whether the listing applicant would be financially sound without carrying out such non-compliant activities is relevant in considering the suitability of listing of the applicant.

**Deteriorating financial performance** – the Exchange is of the view that the listing applicant must remain suitable for listing at the time of listing, taking into account the actual performance after the track record period, profit forecast and such other projected information submitted by the listing applicant in relation to its business and financial position after listing. Deteriorating financial performance subsequent to the track record period may be a strong indicator of a fundamental deterioration of commercial or operational viability.

Other example factors given in GL68-13 that the Exchange would consider when assessing the suitability for listing of an applicant include reliance on parent group / connected persons / major customers, gambling business involvement, contractual arrangements and reliance on unrealised fair value gains to meet the profit requirement.

- In [GL67-13](#) (September 2013), the Exchange sets out **compliance adviser requirements** for newly listed issuers in the period immediately following listing. The Exchange expects an issuer to keep its compliance adviser apprised of developments and proposed corporate actions, and proactively discuss and seek advice from the compliance adviser on listing matters on a regular basis. The issuer should also inform its compliance adviser when a transaction is contemplated, rather than after the relevant agreement has been signed or the transaction completed, so as to allow adequate time for the compliance adviser to review the matter and provide advice.
- In [GL66-13](#) (September 2013), the Exchange provided guidance for **long suspended companies** whose trading has been suspended for over three months. The guidance sets out the current practice and rationale for continued suspension of companies from trading due to insufficient operations (i.e. companies in the delisting process under Practice Note 17, “PN 17 companies”) or other material regulatory issues. It also sets out the criteria for resumption for long suspended companies and provides guidance on administrative requirements for resumption proposals submitted by PN 17 companies.
- In [GL65-13](#) (September 2013), the Exchange provided guidance on **disclosure of information in property valuation reports and market reports in listing documents**. The Exchange expects property valuation reports included in listing documents to disclose (i) the bases and justifications of key assumptions (e.g. discount rate, terminal capitalization rate) for valuation of property interests using a discounted cash flow method, and (ii) details of comparable properties and bases of selection for valuation using comparison method. For market reports, the Exchange expects the issuer to disclose the bases and justifications of key assumptions specific to its business.
- In [GL64-13](#) (July 2013, updated in December 2013), the Exchange provided guidance on **simplification of disclosures in a prospectus** in respect of the White and Yellow Application Forms (“AF(s)”) and “How to Apply for Hong Kong Offer Shares” section (“HTA”) in a listing document. This guidance Letter aims to ensure that the information in the AFs and HTA is relevant, concise and in plain language, and to give clear instructions to investors or their brokers on how to apply for the Hong Kong offer shares.

## Updated Guidance Letters

- [GL41-12](#) (August 2012, updated in November 2013) was updated with the requirement to disclose adverse change in the trend of financial performance compared with the historical financial results in the listing document.

For a more detailed discussion on GL41-12, please see the article on guidance letters in the [October 2012 Issue of our Hong Kong Capital Markets Update](#).

- [GL22-10](#) (October 2010, updated in August 2013) was updated in relation to the **pre-conditions to a waiver under Listing Rule 18.04 for a mineral company**. The Exchange amended the pre-conditions to require (i) an applicant in a pre-production, exploration and/or development phase to demonstrate to the Exchange's satisfaction a clear path to commercial production if commercial production has yet to begin and (ii) an applicant to demonstrate that its directors and management have a minimum of five years relevant industry experience and disclose the details in the listing document.
- In [GL43-12](#) (October 2012, updated in July 2013), **the Exchange addressed issues relating to pre-IPO investments**. The guidance was updated to include the only allowable event for put or exit options granted to pre-IPO investors to put back the investments to the listing applicant or its controlling shareholder is when the terms of the pre-IPO investment clearly states that the put or exit option could only be exercised when the listing does not take place. The guidance also updated the requirement to disclose details about the pre-IPO investments (e.g. the beneficial owner and background of each of the pre-IPO investors, basis of determining the consideration paid by each pre-IPO investor, etc) in the listing document.

For a more detailed discussion on GL43-12, please see the article entitled "Guidance on pre-IPO investments" in the [January 2013 Issue of our Hong Kong Capital Markets Update](#).

- In July 2013, the Exchange also updated the guidance in [GL19-10](#) on disclosure of (i) **land use right certificates** and/or **building ownership certificates** for properties in the PRC; (ii) properties with defective titles in the PRC and Hong Kong; (iii) idle land in the PRC; (iv) civil defense projects in the PRC; and (v) land resettlement operations in the PRC.
- The Exchange updated [GL33-12](#) (April 2012, updated in July 2013) to require disclosure in the listing document of a detailed **breakdown of the use of proceeds** such as the allocation of proceeds and discussion of the amount of net proceeds to be received if the offer price is fixed at low-end, mid-point and high-end of the offer price range with or without exercising the over-allotment option and the use of proceeds under different circumstances. The guidance letter was also updated to require disclosure of the amount of net proceeds to be received by the selling shareholders and that the sales proceeds do not belong to the listing applicant.

## 2 HKEx Listing decisions

### New Listing Decisions

- The Exchange published [LD76-2013](#) (December 2013) in relation to whether the applicants were **suitable for listing** under MB Listing Rule 8.04 given that they had **conducted businesses in certain countries which were subject to trade or economic sanctions** imposed by overseas governments (e.g. Iran, Cuba, Syria and Sudan) before and during the track record period. The Exchange considered a number of factors, in particular the fact that the applicants had undertaken measures to minimize any risk of sanctions, in determining whether the application was suitable for listing. The Exchange determined that the applicants' past business in the sanctioned countries would not render them unsuitable for listing, and the issue could be addressed by disclosure.

#### *Our observations:*

For new applicants with relevant sanctions risks, it is expected that the due diligence procedures to be carried out by the sponsor would be expanded to include a review of their compliance history and their internal control measures to mitigate their exposure to sanction risk.

- In [LD75-2013](#) (July 2013), the Exchange provided guidance on **why certain listing applications were returned**. The matters highlighted in the guidance include deficiencies in disclosures, insufficient information to provide investors with a concise overview of operation model and to highlight significant matters as required in [GL27-12](#) (See Appendix I), failure to provide a sponsor's confirmation upon submission of new listing application, lack of information on circumstances leading to the termination of engagement of an expert, failure to fully address comments previously raised by the Exchange before submission of a renewed application, and failure to submit all the documents required under Listing Rules at the time of filing of listing application.

### Updated Listing Decisions

- [LD43-3](#) (first quarter 2005, updated in November 2011, August 2012, November 2012, December 2012 and November 2013), which sets out the guidance on the listing of PRC businesses using 'structured contracts', was updated in November 2013 to include additional requirements, which include (i) the use of structured contracts are permitted only to address foreign ownership restrictions, (ii) a legal confirmation that the use of structured contracts does not constitute a breach of the laws and regulations and the structured contracts will not be deemed invalid or ineffective, (iii) separate disclosure of revenue from structured contracts if the listing applicant generates revenue from other subsidiaries apart from the company controlled by the applicant through structured contracts and (iv) a positive legal confirmation that the structured contracts would not be deemed as "concealing illegal intentions with a lawful form" and void under the Mainland contract law.

For a more detailed discussion on LD43-3, please see the article entitled “Listing of restricted PRC business using structured contracts” in the [October 2012 Issue of our Hong Kong Capital Markets Update](#).

- In [LD33-2012](#) (July 2012, updated in September 2013), which sets out the Exchange’s guidance on disclosures in the listing documents specific to PRC pawn loan business and [LD19-2011](#) (September 2011, updated in September 2013 and October 2013), which addresses how a listing applicant’s material non-compliant financing would affect its listing, the Exchange added a footnote which states in the event that the reporting accountants or another accounting firm act as the **external expert or consultant to review the applicant’s internal control measures**, disclosure of the name of the reporting accountants or other accounting firm and details of their work and findings in the listing document may be prevented by the relevant guidelines and practices of the accounting profession.

LD19-2011 was further updated in October 2013 to extend its scope to overseas loans under domestic guarantee by Mainland applicants to benefit from interest rate differentials and potential foreign exchange gains but not backed by genuine underlying transactions as **non-compliant financial arrangements**. Such arrangements should be disclosed in the prospectus and the applicant should have effective internal controls to avoid recurrence of the non-compliance and to ensure that they could operate for a reasonable period of time in a fully compliant manner. In addition, to enable investors to fully appraise the applicant’s performance without reliance on the non-compliant financial arrangements, the prospectus must include the audited results during the noted period and disclose the external expert or consultant’s review and conclusions on its internal control measures.

***Our observations:***

We have been seeing more guidance, including guidance letters and listing decisions discussed above, being published by the Exchange in connection with compliance matters relevant to applicants. The new sponsor regime has drawn attention to the quality and nature of due diligence expected to be performed by sponsors under Practice Note 21 (“PN 21”). PN 21 sets out due diligence expectations beyond internal controls over financial reporting. It can be foreseen that the sponsors may wish to engage the accountants to perform additional procedures in order to satisfy the new requirements. In view of the above, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) published [Auditing and Assurance Technical Bulletin 1 \(Revised\)](#) in November 2013 to provide further guidance on accountants’ assistance on new applicants and sponsors in connection with due diligence by sponsors in respect of IPO applications.

With respect to the footnote added to LD33-2012 and LD19-2011 in connection with disclosure of the name of the reporting accountants and details of their work and findings in the listing document, one circumstance in which internal controls work may be referenced is where an assurance engagement in relation to internal controls has been performed by the reporting accountants. It should be noted, however, that it has not been a common practice for such assurance engagements to be undertaken in connection with the PN 21 internal control review.



# 3 Other regulatory developments

## (1) Reverse Takeover Rules

In December 2013, the SFC published a [report on the annual review of the performance of the Exchange in its regulation of listing matters in 2012](#) (the 'Report'). Among other recommendations, the Report recommends the Exchange to review the application and administration of the RTO rules in order to ensure that the policy intention behind these rules is preserved.

Below we set out the key findings of the Report relating to RTOs:

- In 2012, listed companies issued 42 circulars relating to very substantial acquisitions. Among the 9 cases reviewed by SFC, 7 were structured using convertible bonds that would, if all were exercised, result in the bond holders having a majority, ranging from 58% to 86%, of the enlarged share capital. In all these cases the bond holders' ability to exercise their conversion rights were restricted to ensure that at no time would the bond holders hold 30% or more of the enlarged issued share capital of the company thus ensuring that there is no change in control as defined by the Codes on Takeovers and Mergers and Share Repurchases ("the Takeovers Code").
- Under the Takeovers Code, in determining whether there is a change in control, the aggregate voting rights of persons acting in concert should be considered. It is often very difficult to form a definitive view as to whether there is a concert party even after conducting an enquiry of the material facts of a case and the parties concerned without carrying out a thorough investigation. Absent a definitive view that there is a concert party it is not possible for the Listing Division of the Exchange to take the view that a transaction results in a change of control as defined by the Takeovers Code.
- Even where there is no change in control, in practice the Exchange may treat a very substantial acquisition as a RTO if it is an "extreme" case taking into account the various factors. One of the key factors is the size of the acquisition relative to the size of the company which takes into account the magnitude of the percentage ratios under MB Listing Rule 14.07.

### ***Our observations:***

During the period covered by the Report, there was an increasing trend that PRC entities, in particular property developers, achieved a listing in Hong Kong through RTO transactions. According to the SFC's observations, the incoming shareholders who intend to circumvent the RTO rules would hold off injecting assets into shell companies or raising funds until after the 24-month "look back" period has expired in order to get around the bright line test under MB Listing Rule 14.06(6)(a). From the perspective of the regulators, achieving a listing through a loophole in the existing rules to avoid the listing application and approval process clearly violates the intention behind the relevant rules.

It is foreseen that the Exchange will revisit the prevailing rules governing RTO transactions in response to the SFC's

recommendation in order to address the issues on backdoor listings. The objective would be to require backdoor listings to be subject to the regulatory safeguards that apply to a new application for listing, including full due diligence by sponsors and full disclosure of information in the listing document.

## **(2) Revised Joint Policy Statement regarding listing of overseas companies**

In September 2013, the SFC and the Exchange published a revised [Joint Policy Statement regarding listing of overseas companies](#) ("JPS") which supersedes the JPS first published in March 2007. The new JPS contains five sections addressing the following matters:

- **Shareholder protection standards**

An overseas applicant must demonstrate it is subject to the key shareholder protection standards set out in the JPS by explaining how the domestic laws, rules and regulations and its constitutional documents, in combination, meet these standards. The applicant may need to amend its constitutional documents to meet the requirements of the key Hong Kong shareholder protection standards. Where an applicant follows arrangements in the Country Guide<sup>1</sup> for its place of incorporation in an acceptable jurisdiction, it will not be required to provide a detailed explanation.

The key shareholder protection standards list out matters that require shareholders' approval, which include (i) significant matters such as changes to rights attached to any class of shares (requiring a super majority vote); (ii) increase in member's liability; (iii) appointment, removal and remuneration of auditors; and (iv) proceedings at general meetings.

- **Regulatory co-operation arrangements expected to be in place with relevant overseas jurisdictions**

The Exchange expanded the co-operation arrangements expected to be in place with an overseas jurisdiction. This will enable SFC to seek regulatory assistance and information from the overseas statutory securities regulator thereby facilitating SFC's investigations and enforcement actions where an overseas company has its records, business operations, assets and management outside Hong Kong.

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<sup>1</sup> An applicant should refer to the published listing decisions for its jurisdiction of incorporation prior to the publication of the Country Guide.



- **Accounting and auditing related and other disclosure requirements**

The Exchange set out in the JPS certain acceptable accounting and auditing standards in respect of an overseas applicant's financial statements in order to avoid the burden to prepare accountants' reports and financial statements according to more than one set of financial reporting standards, using different firms of auditors. Overseas applicants adopting financial reporting standards other than those acceptable ones must be disclosed and explained.

MB Listing Rule 4.03 and the Hong Kong Companies Ordinance require the reporting accountant to be a certified public accountant qualified under the Professional Accountants Ordinance ("PAO"). An overseas applicant may apply for an exemption from the requirements in the Listing Rules for the qualification of the reporting accountant on the ground that compliance is irrelevant, unduly burdensome or otherwise unnecessary or inappropriate.

- **Practical and operational matters that overseas companies are likely to encounter in seeking a listing in Hong Kong**

The Exchange has set out guidance in the JPS to address certain practical and operational matters that could potentially be faced by the overseas applicants. Overseas companies are encouraged to consult the Exchange and SFC at the earliest opportunity when they encounter difficulty in complying with the Listing Rules or the Takeovers Codes arising from conflict with the laws and regulations of its home jurisdiction.

- **Suitability for secondary listing and guidance on the common waivers sought by an overseas company**

The Exchange considers it reasonable to grant extensive waivers from the Listing Rules to an overseas company seeking a secondary listing that:

- is a large company, normally with a long track record of clean regulatory compliance on its primary market;
- has a primary listing on one of the recognised exchanges set out in paragraph 91 of the JPS; and
- has a "centre of gravity" outside of China.

On the same date that the revised JPS was published, the Exchange published [Frequently Asked Questions \("FAQ"\) Series 25](#) to assist overseas applicants and professional advisers understand and comply with the revised JPS.

In addition, in December 2013 the Exchange published [20 country guides](#) for overseas jurisdictions which the Exchange accepts as a listing applicant's place of incorporation. The aim of the country guides is to enhance the overseas applicants' understanding of the Exchange's expectations, practices, procedures and the criteria that the Exchange considers when applying the Listing Rules for overseas listing applicants. The country guides apply to primary and secondary MB listing applicants and primary Growth Enterprise Market ("GEM") listing applicants incorporated in the relevant jurisdiction.

***Our observations:***

The relatively inflexible approach to overseas applicants in the 2007 JPS discouraged certain companies seeking a Hong Kong listing. In response to various comments from the market, the new JPS was released to ease the burden on overseas applicants and streamline the application process in order to ensure Hong Kong remains an attractive listing venue for overseas companies while preserving high standards of regulation, enforcement and corporate governance.

For companies from one of the 20 jurisdictions covered by the country guides, useful guidance can be found with respect to the international regulatory co-operation arrangements between the overseas regulators and the SFC, compliance with JPS shareholder protection standards and other practical matters that overseas applicant may encounter in connection with a Hong Kong listing.

# Appendix I

The Exchange has published rule changes and a series of new and revised guidance letters to complement the new sponsor regulations that came into effect on 1 October 2013. The new requirements apply to listing applications filed on or after 1 October 2013.

## Major changes of the new sponsor regulations

- **Appointment of sponsors**

Under the new regulations, the sponsor (or the last-appointed sponsor in the case of multiple sponsors) must be appointed at least two months before filing of a listing application. The sponsor must notify the Exchange with a copy of the engagement letter once appointed.

- **Publication of an Application Proof on the Exchange's website**

An advanced proof of listing document ("Application Proof") and all other documents to be submitted to the Exchange together with a listing application should be substantially complete. Publication of Application Proof on the Exchange's website and submission of a Chinese version will become mandatory on 1 April 2014, after the suspension period from 1 October 2013 to 31 March 2014.

Confidential filing where the applicant has already been listed on a recognised overseas exchange for not less than 5 years and has a market capitalisation of at least US\$400 million is exempted from the publication requirements. The Exchange may also waive or modify the publication requirements for the Application Proof on a case by case basis, such as a spin-off.

- **Initial 3-day check**

During the transitional period from 1 October 2013 to 30 September 2014, the Exchange will accept listing applications for detailed vetting only after the successful completion of an initial 3-day check of the Application Proof. Under the initial 3-day check, the Exchange will consider the criteria set out in the 3-day checklist to determine whether the Application Proof submitted by the applicant is up to the standard required for detailed vetting. No qualitative assessment will be performed during this initial 3-day check as this exercise is intended to be a checkbox process. Applications which fail the initial 3-day check will be returned and a 8-week moratorium counting from the date of return decision will apply. The Exchange and the SFC will review the effectiveness of the initial 3-day check policy during the first six months to decide whether it should continue for the transitional period to 30 September 2014 or be implemented on an ongoing basis.

- **8-week moratorium on returned applications**

Where a listing application is returned by the Exchange or the SFC on the basis that the draft listing documents are not considered to be substantially complete, an application can only be re-submitted 8 weeks after the date of return of the application. In such cases, with effect from 1 April 2014, the names of the sponsor and the listing applicant will be published on the Exchange's website as a "naming and shaming" policy.

- **Accelerated review process for returned listing applications**

A listing application can be returned during the initial 3-day check or after the application has been accepted for detailed vetting. The sponsor or listing applicant can submit a review request within 5 business days after receipt of the return decision. The review process will be conducted by the Listing Committee in the first instance and, upon request, by the Listing (Review) Committee for a second review. The decision of the Listing (Review) Committee is conclusive and binding.

- **Streamlined regulatory commenting process and accelerated document submission**

Under the revised Listing Rules, the timing of filing requirement for documents has been accelerated. The profit forecast and working capital board memorandum and an advanced draft of the sponsor's working capital confirmation are now required to be filed at the same time as the listing application.

In respect of the accountants' report on historical financial information, pro forma financial information and profit forecast (if any), signed copies of the above reports are expected to be included in the Application Proof. Where the financial information is not in a final form, it must be in an advanced form and the reporting accountants are required to provide a confirmation 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.

- **Publication of a Post Hearing Information Pack ("PHIP")**

The requirement to publish a Web Proof Information Pack ("WPIP") on the Exchange's website before distribution of a preliminary offering circular (commonly referred to as a "red herring document") to institutional or qualified investors is replaced by the requirement to publish a PHIP (both English and Chinese versions) on the Exchange's website. A PHIP must be posted after: (i) receipt of a post-hearing letter from the Exchange together with a publication request; and (ii) the Exchange's material comments have been addressed but no later than the first occurrence of: (i) distribution of red herring document; (ii) commencement of book-building process; and (iii) publication of a similar document on an overseas exchange where the issuer is planning to list on such exchange at or around the time of the Hong Kong listing.

### ***Our observations:***

The aims of implementing the new sponsor regulations are to improve the quality of listing applications and thereby shorten the regulatory commenting process. This ideally should lead to a more efficient listing process and enable the Exchange to continue to attract quality companies to list on the Exchange.

The new sponsor regulations and the corresponding changes in the Listing Rules do not result in many new disclosures or new documents for submission in the process of a listing application. These changes focus primarily on the quality and timing of the information to be submitted to the Exchange.

It is expected that a large number of listing applications will be submitted in the first quarter of 2014, as compared with the submissions during the fourth quarter of 2013, prior to the expiry of the six-month suspension period on 31 March 2014 for the public disclosure requirements.

### **New/Updated Guidance Letters**

The Exchange has issued or updated a series of guidance letters to supplement the revised Listing Rules in response to the implementation of the new sponsor regime. A brief summary of these guidance letters is set out below.

#### **a) Logistical matters**

- In [GL55-13](#) (July 2013, updated in September 2013) and [GL23-10](#) (December 2010, updated in July 2013), the Exchange provided guidance on **the documents to be submitted and administrative matters to be followed** at different stages of the listing application process.
- [GL56-13](#) (July 2013, updated in September 2013) sets out the guidance on (i) **disclosure requirements for substantially complete Application Proofs**; (ii) a 3-day checklist for disclosure matters that the Exchange will check in Application Proofs prior to acceptance; and (iii) publication of Application Proofs and PHIPs on the Exchange's website. In [GL57-13](#) (July 2013, updated in September 2013), the Exchange provided guidance on logistic arrangements for publication of Application Proofs, PHIPs and related materials on the Exchange's website.
- In [GL58-13](#) (July 2013) and [GL60-13](#) (July 2013), the Exchange provided guidance on **confirmations required** on (i) accountants' report, pro forma financial information and profit forecast and (ii) expert opinions in Application Proofs and subsequent draft listing documents.
- In [GL61-13](#) (July 2013), the Exchange provided guidance on the accelerated procedures for **reviewing the Listing Division and Listing Committee's decision to return a listing application**.
- In [GL53-13](#) (April 2013, updated in July 2013), the Exchange provided guidance to **issuers seeking to list by introduction on arrangements to facilitate liquidity of their securities** to meet demand on the Hong Kong market during the initial period of listing.

- In [GL7-09](#) (July 2009, updated in September 2010 and July 2013), the Exchange updated the guidance on **documents required for re-filing a listing application** (i) more than six months after the date of the original listing application; or (ii) where a sponsor has changed.
- [GL13-09](#) (October 2009, updated in July 2013) provided guidance on the preparation of the **cover page of a listing document** and updated the logistic arrangements in obtaining the Exchange's clearance for bulk-printing a listing document.

#### b) Disclosure guidance

- [GL6-09A](#) (July 2013) sets out the Exchange's administrative practices on accepting early filings of listing applications, and the **expected financial information in the Application Proof** submitted at different times of the year.
- In [GL27-12](#) (January 2012, updated in June 2013 and July 2013 and November 2013), [GL48-13](#), [GL49-13](#) and [GL50-13](#) (January 2013, updated in July 2013), the Exchange updated the general guidance on **simplification of disclosures** in the 'Industry Overview', 'History and Development', 'Business' and 'Summary and Highlights' sections in the listing documents.

For a more detailed discussion on the three Guidance Letters published in January 2013, please see the article entitled "Other market and regulatory matters" in our [Issue 2 of Hong Kong Capital Markets Update](#) published in April 2013.

- The Exchange discussed the expected disclosure in the **management discussion and analysis**, in the **Directors, Supervisors and Senior Management section**, and of **material non-compliance incidents** in the listing documents in [GL59-13](#) (July 2013), [GL62-13](#) (July 2013, updated in January 2014) and [GL63-13](#) (July 2013, updated in September 2013) respectively.
- [GL33-12](#) (April 2012, updated in July 2013) sets out the guidance on **disclosure of listing applicants' intended use of proceeds in listing documents**.
- [GL35-12](#) (May 2012, updated in July 2013) clarifies the difference between a profit forecast and a profit estimate, and **when to include a profit forecast or profit estimate in a listing document**.
- In [GL37-12](#) and [GL38-12](#) (June 2012, updated in July 2013 and September 2013), the Exchange provided guidance on **indebtedness, liquidity, financial resources and capital structure disclosure**, and the latest practicable date for these disclosures in the listing document.
- [GL52-13](#) (March 2013, updated in July 2013) sets out the expectation of the Exchange for **disclosure in listing documents prepared by new applicant mineral companies** under Chapter 18 of the MB Listing Rules.
- [GL8-09](#) (July 2009, updated in July 2013) discusses the Exchange's approach to the use of cautionary language when including in prospectuses **statistics, data or extracts sourced from commissioned or non-commissioned research reports**.



- In [GL21-10](#) (October 2010, updated in July 2013), the Exchange provided guidance on the due diligence procedures that a listing applicant and its sponsor must follow when **requesting non-disclosure of confidential information in a listing document**.

**c) Other guidance for listing applicants**

- In [GL4-06](#) (April 2006, updated in July 2013), the Exchange updated the guidance on **assessment of a sponsor's independence**.
- In [GL18-10](#) (June 2010, updated in July 2013), the Exchange clarified what **publicity materials relating to an issue of securities** would require their consent before being released.

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