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香港交易所

The Stock Exchange of Hong Kong Limited

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref : LD-20080718-00019

21 July 2008

To: Market Practitioners

Dear Sirs,

Guidance regarding indebtedness, liquidity, financial resources and capital structure disclosure in listing documents issued by new applicants

The Listing Division notes that the recent deterioration in the credit environment of the global financial market and tightened monetary policies in Mainland China may have limited the flexibility and ability of some new applicants and/or their subsidiaries in obtaining loans to finance their operations and developments. This gives rise to a need to ensure that potential investors are given sufficient information to enable them to make properly informed investment decisions. Recent experience suggests that it is appropriate for the Listing Division to issue a reminder about the applicable disclosure standards and further guidance on its expectations.

New applicants and their advisers are reminded that the Main Board Listing Rules and the GEM Listing Rules (together, the “**Exchange Listing Rules**”) require that sufficient information should be given to potential investors to enable them to make a properly informed assessment of an issuer. New applicants are also required under the Exchange Listing Rules to include in the listing document, among other information, a statement of sufficiency of working capital (Main Board Listing Rule 8.21A, Paragraph 36 of Part A of Appendix 1 to the Main Board Listing Rules and GEM Listing Rules). Paragraph 32 of Part A of Appendix 1 to the Exchange Listing Rules (“**Paragraph 32**”) further requires the inclusion in a listing document certain information regarding a new applicant’s indebtedness, liquidity, financial resources and capital structure (the “**Liquidity Disclosure**”).

The Listing Division considers that the Liquidity Disclosure is critical to an assessment of a new applicant’s prospects for the future and its ability to generate cash and to meet existing and known or reasonably likely future cash requirements. It should offer the management’s qualitative assessment of the various items being discussed and should not be merely a restatement of financial statement information in a narrative form, or simply a tabulation of financial data without any commentary or analysis.

To assist new applicants and their advisers in preparing the Liquidity Disclosure, the Exchange has issued the *Guidance Regarding Indebtedness, Liquidity, Financial Resources and Capital Structure Disclosure in Listing Documents issued by New Applicants*, which can be found on the HKEx website (http://www.hkex.com.hk/listing/gemsharelistdoc/letters_to_issuers.htm).

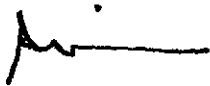
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For your ease of reference, a copy of this guidance is attached to this letter.

Yours faithfully,
For and on behalf of
The Stock Exchange of Hong Kong Limited



Richard Williams
Head of Listing

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The Stock Exchange of Hong Kong Limited

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Guidance Regarding Indebtedness, Liquidity, Financial Resources and Capital Structure Disclosure in Listing Documents issued by New Applicants

This guidance is intended to help new applicants and their advisers fulfill the relevant requirements under the Exchange Listing Rules. It does not form part of the Exchange Listing Rules and does not in any way amend or vary a new applicant's obligations under the Exchange Listing Rules.

Introduction

The Main Board Listing Rules and the GEM Listing Rules (together, the “**Exchange Listing Rules**”) require that sufficient information should be given to potential investors to enable them to make a properly informed assessment of an issuer. New applicants are required under the Exchange Listing Rules to include in the listing document, among other information, a statement of sufficiency of working capital and certain information, including a commentary regarding a new applicant’s indebtedness, liquidity, financial resources and capital structure (the “**Liquidity Disclosure**”). The Listing Division considers that the Liquidity Disclosure should offer the management’s qualitative assessment of the various items being discussed. This Guidance is published to assist new applicants and their advisers to prepare the Liquidity Disclosure.

Relevant Listing Rules Requirements

Main Board Listing Rule 8.21A requires a new applicant to include a working capital statement in the listing document. In making this statement the new applicant must be satisfied after due and careful enquiry that it and its subsidiary undertakings, if any, have available sufficient working capital for the group’s present requirements, that is for at least the next 12 months from the date of publication of the listing document.

Paragraph 36 of Part A of Appendix 1 to the GEM Listing Rules requires the inclusion in the listing document a statement by the directors that in their opinion the working capital available to the group is sufficient or, if not, how it is proposed to provide the additional working capital thought by the directors to be necessary. Paragraph 36 of Part A of Appendix 1 to the Main Board Listing Rules further requires such working capital statement to specifically cover a period of at least 12 months from the date of the listing document.

Paragraph 32 of Part A of Appendix 1 to the Exchange Listing Rules (“**Paragraph 32**”) also requires the inclusion in a listing document a statement as at the most recent practicable date of the total amount of debt securities, borrowings, indebtedness, mortgages, contingent liabilities and guarantees, of the new applicant on a consolidated basis. Paragraph 32(5) of Part A of Appendix 1 to the Exchange Listing Rules (“**Paragraph 32(5)**”) also requires the inclusion in the listing document a commentary on the new applicant’s (i) liquidity and financial resources and (ii) capital structure.

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Guidance

For the purposes of the requirement under Paragraph 32, the Exchange ordinarily requires the relevant information should be as at a date that is no more than eight weeks before the issuance of the listing document.

The Exchange also considers that information required under Paragraph 32(5) is critical to an assessment of the new applicant's prospects for the future and its ability to generate cash and to meet existing and known or reasonably likely future cash requirements. It should not be merely a restatement of financial statement information in a narrative form, or simply a tabulation of financial data without any commentary or analysis. A new applicant is ordinarily expected to disclose the following in its listing document:

- (a) in the Financial Information section, a discussion on the net current asset (liabilities) position of the new applicant stating the composite assets and liabilities as at the most recent practicable date, which should be normally not more than eight weeks before the issuance of the listing document;
- (b) an analysis and explanation of the sources and uses of cash and an analysis of the material changes in the underlying drivers (e.g., cash receipts from sales of goods and cash payments to acquire inventories);
- (c) an analysis and information of factors that would have a material impact on the new applicant's liquidity. This may include:-
 - (i) funds necessary to meet contractual obligations, maintain current operations, complete projects underway and achieve stated objectives or plans;
 - (ii) commitments for capital or other major expenditures;
 - (iii) the likelihood of future cash requirements associated with known trends and uncertainties, and an indication of the time periods in which resolution of the uncertainties is anticipated; and
 - (iv) relevant legal/ regulatory requirements and/or restrictions;
- (d) where the new applicant has decided to raise material external debt financing, or if it is reasonably likely to do so in the future, a discussion and analysis of the amounts or ranges involved, the likelihood of obtaining the financing at terms acceptable to the new applicant, the nature and the terms of the financing, other features of the financing and plans, and the impact on the new applicant's cash position and liquidity;
- (e) a discussion and analysis of material covenants related to outstanding debt (or covenants applicable to the companies or third parties in respect of guarantees or other contingent obligations) and the impact of debt covenants (or other covenants/ undertakings) on the new applicant's ability to undertake additional debt or equity financing, etc.;

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- (f) any other information on the new applicant's indebtedness, liquidity, financial resources and capital structure disclosure in listing documents that would be material to an investor to make a properly informed assessment of the financial position and prospects of the new applicant.

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July 2008