

# Listing in Hong Kong



## Listing in Hong Kong — How PwC can help

### PN21 internal control review service (before listing)

Effective 1 January 2005, sponsors of an initial public offering (IPO) in Hong Kong are required to conduct due diligence in respect of initial listing applications to enable them to make a declaration in terms of rules 3A.14-3A.16 pursuant to rule 3A.13 of the Main Board Listing Rules. This requirement is in accordance to Practice Note 21 (PN21) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

To provide the required information to the sponsor, the potential issuer will seek assistance from an independent third party, such as PwC, in reviewing the internal controls of its financial reporting.

PwC performs the review through Agreed- Upon-Procedures, Long Form Reports or Assurance Reports. The review will help:

- Readers of the report to better understand the internal controls of the issuer.
- The issuer to improve its corporate governance and comply with the requirements in PN 21.
- The issuer to work towards compliance with the Code on Corporate Governance Practices (Appendices 14 and 23 of the Main Board Listing Rules) after listing based on recommendations from the review.



# Listing in Hong Kong — How PwC can help

## Corporate Governance Code internal control review services

Section C.2 Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Main Board Listing Rules



## Internal Audit (IA) Function

IA co-source : partnering with client's IA team  
 IA out-source: appointed as the Internal Audit department of an organisation (C2 only)  
 Establishing an Internal Audit Function



## Other OAS Services (after successful listing)

## Documentation of policies and procedures

Assist management on the documentation of policies and procedures for the business cycle



## Others

Advisory work such as assistance in performance of risk assessment, establishing enterprise risk management framework, etc.



# Key changes in Corporate Governance Code

In December 2014, the Hong Kong Exchanges and Clearing Limited (the Exchange) released its Consultation Conclusions Paper and confirmed a series of changes to the existing Corporate Governance Code and Corporate Governance Report (Appendix 14 of the Main Board Listing Rules) (the Code).

The Code's amendments took effect on **1 January 2016**.

- Incorporating risk management into the Code where appropriate
- Revising Principle C.2 to define the roles and responsibilities of the board and management
- Clarifying that the board has an ongoing responsibility to oversee the issuer's risk management and internal control systems
- Upgrading CP to include recommendation that issuers should have an internal audit function, and those without it should review the need for one on an annual basis
- Upgrading Code Provisions (CPs) to include recommendations in relation to the annual review and disclosures in the Corporate Governance Report

Key changes include:



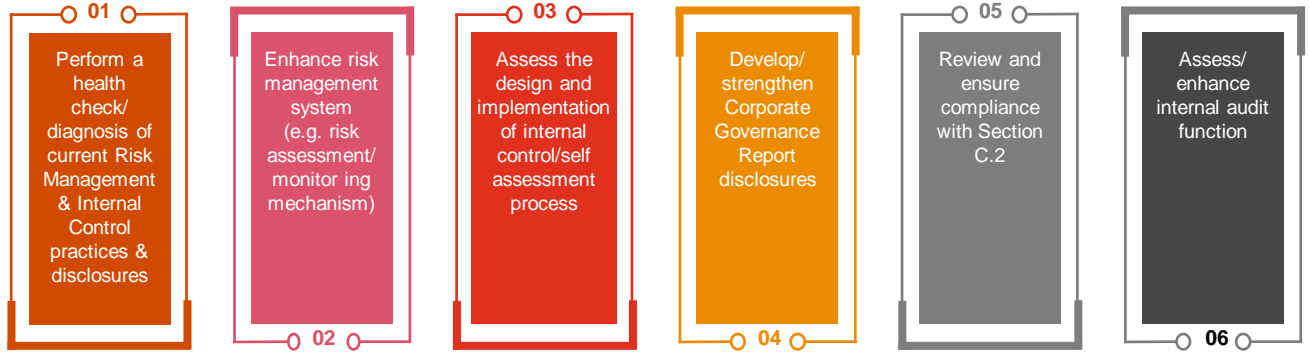
## What is Corporate Governance Code?

The Code sets out the principles of good corporate governance, and two levels of recommendations:

- (a) Code Provisions
- (b) Recommended Best Practices

# Addressing the requirements of the Corporate Governance Code – Areas where PwC can help

Below are areas where PwC can support companies to respond to the updates in the Corporate Governance Code.



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