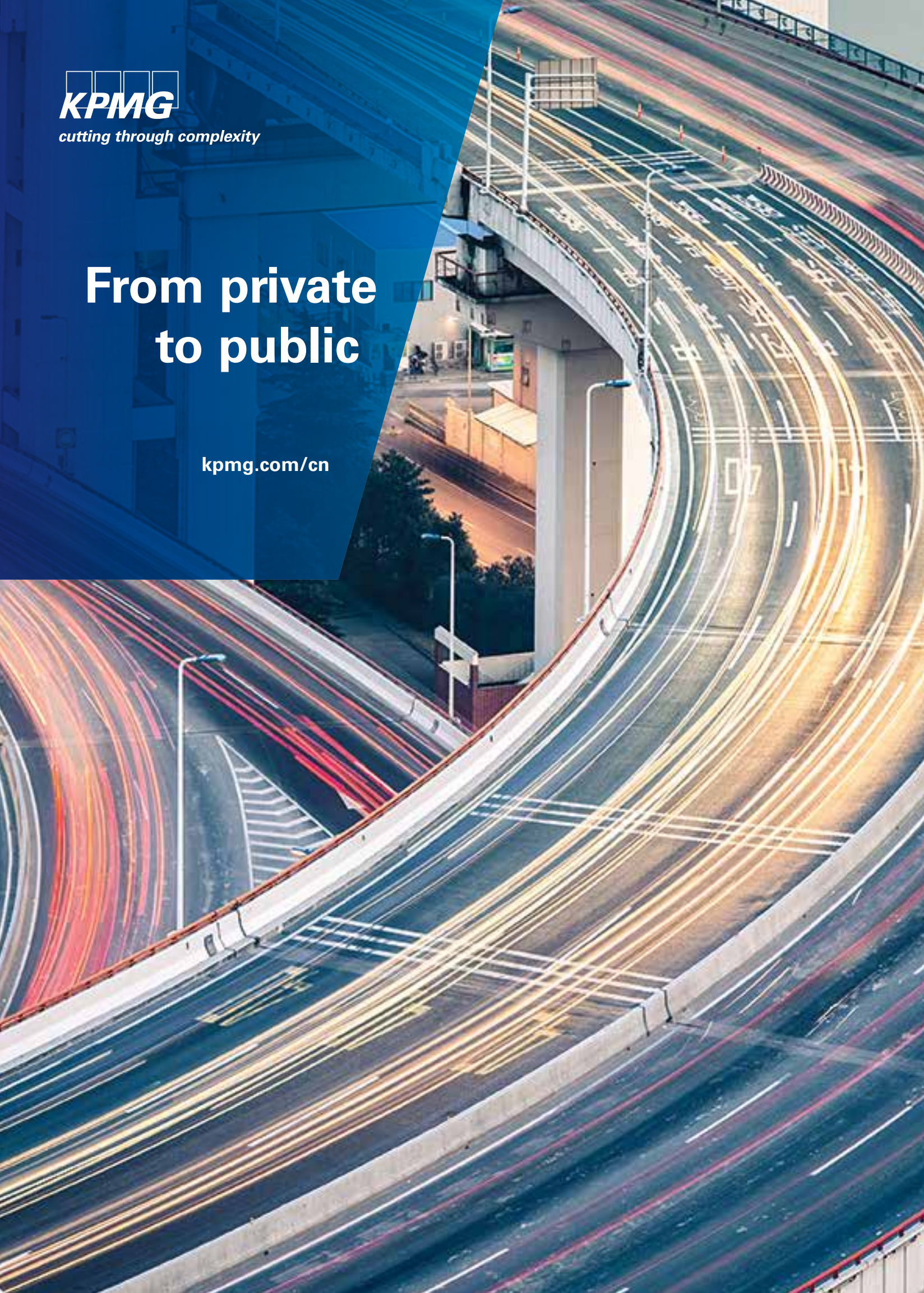


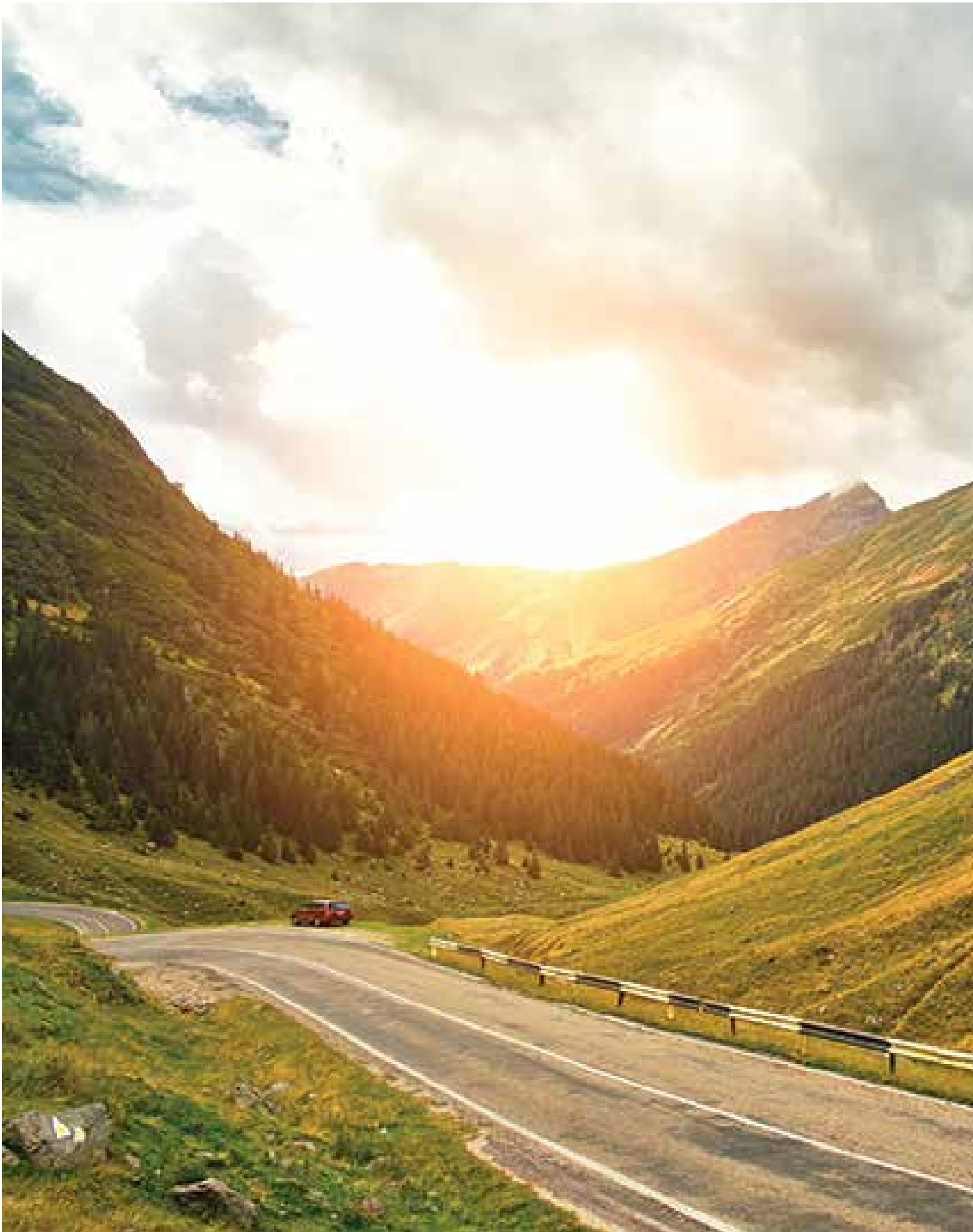


cutting through complexity

From private to public

kpmg.com/cn





Going public is a **significant milestone** in any company's development.

Professional advisors are essential to a successful initial public offering (IPO).

KPMG professionals strive to deliver valuable and insightful advice that helps you get through the complex IPO process.

KPMG China is experienced in helping companies list not only in Hong Kong, Shanghai and Shenzhen, but also in overseas markets such as London, New York, Singapore and Tokyo.

We can bring you the benefit of our knowledge and experience gained from working on a broad spectrum of listings, from small and medium-sized companies right through to some of the largest and most high-profile market debuts to date.

KPMG China: your trusted advisor throughout your IPO journey.





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Decision to go public

Pros



Access to long-term capital

- Provides access to a wider investor base from which capital can be raised
- Provides a capital raising platform for further offerings



Enhanced corporate profile

- Provides greater visibility and can enhance the corporate image
- Offers the prospect of a potential takeover at a premium



Key people incentives

- Enables the company to attract and retain talented personnel as the liquidity of shares enhances the attractiveness of stock option plans
- Allows employees to share in success



Liquidity/valuation

- Provides a platform for existing shareholders to trade their shares
- Enables shareholders to trade their interests in securities at 'market' value



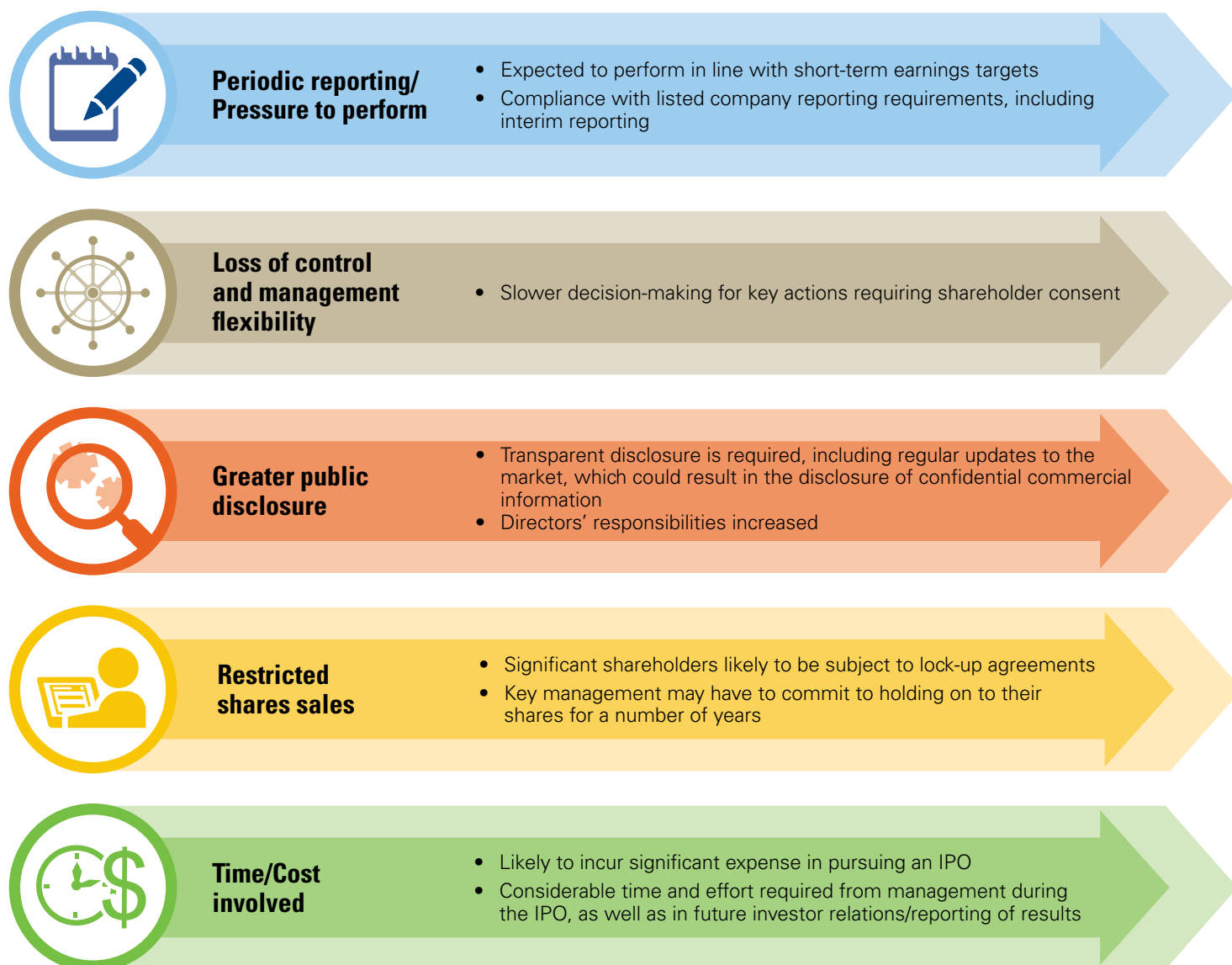
Broadened governance structure

- Provides a strong catalyst and proven framework to expand and re-energise the governance structure

Is an IPO the best way forward?

Going public is one of the most significant milestones in a company's development. Although many companies find the benefits of listing appealing, the drawbacks can often be underestimated. Businesses should carefully consider the advantages and disadvantages of an IPO, as a wrong decision can prove to be costly.

Cons

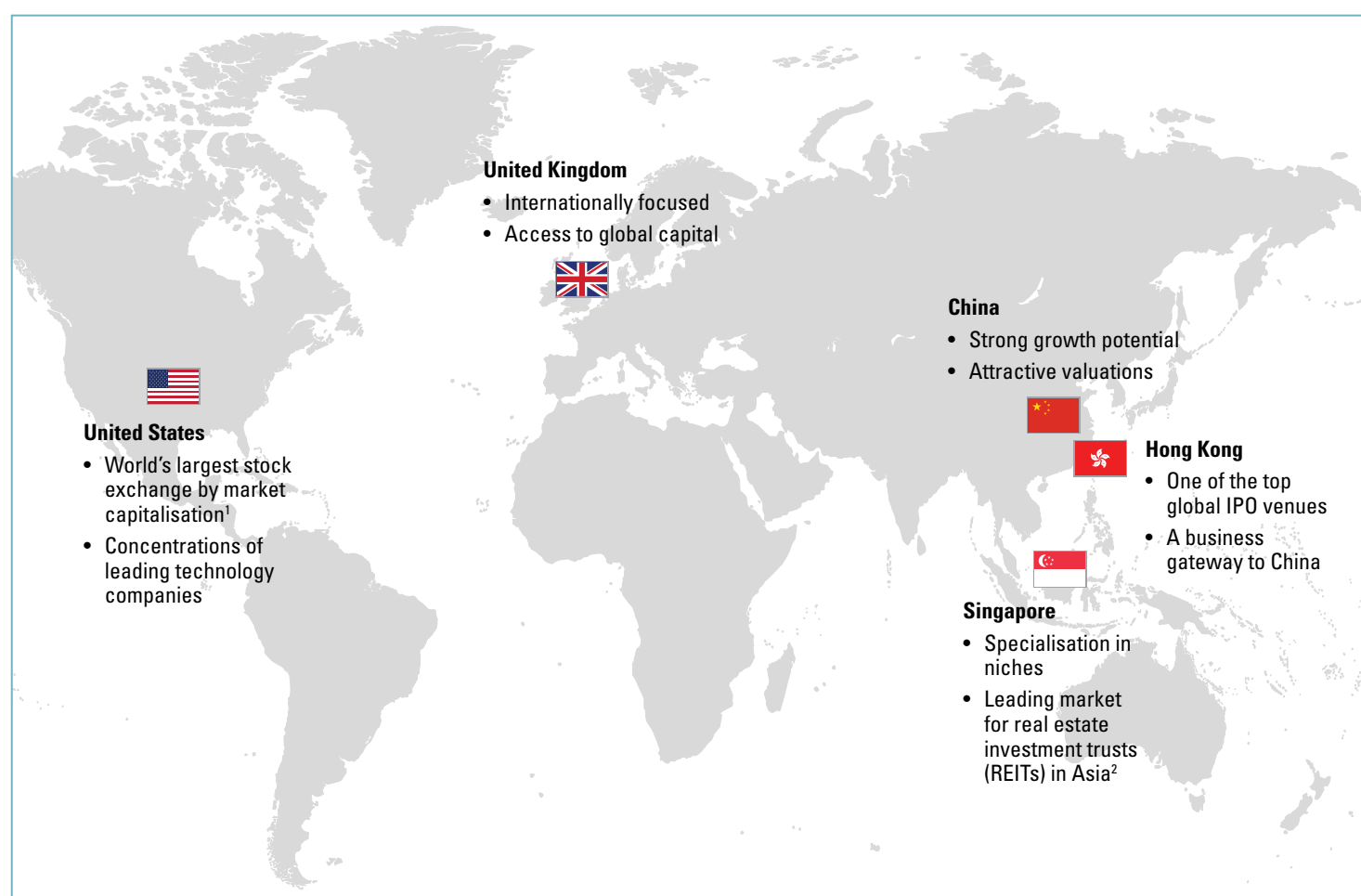


Investor appetite: The liquidity of a capital market generally has a direct correlation with the initial valuation of a company. Listing on exchanges outside the home country will also need to take into account the potential challenges of managing investors in foreign or distant markets.

Industry concentrations: Markets with industry concentrations tend to benefit from highly experienced analysts who have deep insights into the specific industry and sector, and generally tend to offer higher valuations.

Long-term strategy: Launching an IPO is one of the first steps in a long-term strategy, and companies may have additional capital requirements as they expand. IPO candidates will need to consider the market's ability to accommodate subsequent offerings by public companies.

Some of the key features of selected global exchanges



¹ NYSE, <https://www.nyse.com/index>

² SGX, www.sgx.com

The listing process

1

Pre-listing

Key management considerations

- Is the business suitable for a listing and what are the key considerations?
- Is the business ready to list in terms of meeting the listing requirements, as well as the readiness of the financial reporting system, internal controls and corporate governance?
- How do you select the right exchange?
- Can an attractive equity story be prepared with supporting evidence?
- What businesses should be included in the listing?
- How can you plan a group restructuring to achieve the highest tax efficiency?
- Should strategic investors be introduced and how can you reach them?

How can KPMG help?

- Advise on key accounting and regulatory requirements for different exchanges
- Assess IPO readiness such as reviewing the existing accounting policies and the quality of accounting records
- Review and advise on accounting implications of group restructuring options
- Introduce professional parties including lawyers and sponsors, and coordinate with them prior to and throughout the IPO process
- Review tax efficiency on operational and capital structure
- Advise on alternatives for capital raising channels, and introduce strategic investors
- Provide financial modelling and valuation assistance
- Review key internal controls over financial reporting processes and provide recommendations
- Provide executive recruitment services to help you identify suitable candidates for preparing the IPO

2

During the listing*Key management considerations*

- What information should be produced for inclusion in the prospectus?
- How should you handle and coordinate requests from different professional parties within the IPO working team?
- What is the appropriate approach for handling queries raised by regulators in the vetting process?
- What steps should be taken to enhance internal controls and corporate governance in order to get ready for a listing?
- What are the accounting and tax implications of stock option plans?

How can KPMG help?

- Act as reporting accountants and perform procedures on historical and prospective financial information
- Assist in sponsors' financial due diligence
- Help the applicant resolve comments raised by regulators
- Advise on executive tax issues (e.g. personal tax, remuneration packages and stock option plans)
- Conduct a tax due diligence review
- Act as an internal control consultant and provide relevant recommendations
- Help establish an audit committee and corporate governance

3

Post-listing*Key management considerations*

- What are the ongoing compliance requirements for listed companies?
- How can you keep up to date with accounting and regulatory changes in order to fulfil the listing rules and other regulations?
- How can you enhance internal controls and corporate governance going forward?
- What are the options available for raising additional funds and what are the key considerations?
- Is the use of mergers & acquisitions (M&A) the right strategy for business expansion, and how can you identify the right targets?

How can KPMG help?

- Act as auditors, and provide annual audit and interim review services
- Provide regular updates on accounting and regulatory changes
- Act as reporting accountants for ongoing secondary market transactions
- Conduct readiness assessment and provide other assurance and advisory services relating to environment, social and governance (ESG) reporting
- Act as tax representatives to negotiate with tax authorities
- Provide ongoing tax compliance and planning assistance
- Assist with strategic investor search and M&A
- Assist with financial due diligence
- Provide ongoing regulatory advisory services
- Provide internal audit and corporate governance-related assistance

Setting a **time** frame

Setting and maintaining a sustainable pace is critical to the success of an IPO. Key timing considerations include the following:

Is your company up to public market standards?

- What is the scale of change that must be accomplished?
- What resources are available to achieve your pre-IPO plan?
- Do you have a strong history of financial reports?

Is the economic environment right for an IPO?

- Is there liquidity in the equity markets?
- How have investors treated your competitors' stocks over the past 12-18 months?
- Is the market on an upward or downward trajectory?

How long will the formal IPO process take?

- Are you listing on a single market or multiple markets?
- How experienced are your IPO advisors?
- Can your executives devote proper attention to the process?

The length of an IPO process varies significantly in practice, ranging from six months to a couple of years. It is affected by a number of factors as set out above, and the timetable is not always guaranteed. However, better preparation and selecting the right professional parties can make the process smoother.

Preparation

Listing brings new responsibilities and obligations, so you need to be prepared before taking the IPO path.

Selecting board members

When companies go public, they often need to adjust their board make-up. IPO candidates may need to carefully consider who sits on their board, and it is often wise to select members with one or more of the following attributes:

- (i) Experience with public companies*
- (ii) Deep insight into the company's business*
- (iii) Relevant professional qualifications*
- (iv) A recognised reputation for fair and considered judgement.*

The ingredients of a successful listing include attractive business prospects, a sustained track record, favourable market sentiment, an appropriate capital structure and a well-presented prospectus.

Bringing these things together requires the support of knowledgeable and experienced management, sponsors, reporting accountants, underwriters, professional valuers, and legal and public relations advisors.

It is vital that companies devote the necessary time to the IPO process while continuing to serve their core business. They will need to consider the commitment required by key people, including the:

- CEO/Managing director
- CFO/Finance director
- Finance and accounting team
- Company secretary
- In-house lawyer

Careful planning and the disciplined allocation of resources can help prevent delays, especially towards the closing stages of the process, which can be the most demanding.

Life after **listing**

After listing, there are more stringent rules on regular reporting, as well as other regulatory compliance requirements.

Corporate governance

Good corporate governance is crucial for a listed company to meet its stakeholders' interests. After a company goes public, it often needs to adjust its internal processes and organisational structure in order to meet the more stringent regulatory requirements and higher expectations from shareholders. The board is accountable to the company's shareholders, and is responsible for leading the company in the right direction and making sure adequate processes and sufficient resources are in place to run the company in an efficient and compliant manner.

Higher level of oversight

Public companies are subject to a higher level of oversight than private companies. Internally, different committees such as the audit committee, risk committee and remuneration committee are formed under the board's authority to oversee matters in specific areas. These committees help ensure compliance with policies, rules and regulations. Externally, public companies are subject to oversight by various regulatory bodies. Management teams in public companies need to stay up to date with regulatory changes and broader trends.

Ongoing dialogue with stakeholders

Shareholders and other stakeholders demand greater transparency from public companies and expect the company's financial results, business reviews, significant decisions, transactions and future plans to be disclosed and communicated promptly.

A prospectus is the first formal document an IPO candidate produces to communicate with investors and answer their key questions. This kick-starts the communication process while ongoing and dynamic discussions with the company's stakeholders are under way.

The next step after going public may be setting up an investor relations function to help strengthen ties between the company and investors, while at the same time promoting the company's image.

Regulatory reporting and other regulatory compliance requirements

A listed company is required to comply with continuing obligations, including regular disclosure of financial results, disclosure of price-sensitive information, and movements and transactions of the listed company's securities. Subject to the relevant listing rules, companies may need to publish a circular and obtain shareholders' approval before proceeding with a transaction. In light of the global trend in sustainable development, stock exchanges around the globe are requiring or recommending that listed companies publish an environmental, social and governance (ESG) report. Companies are expected to be accountable for their actions and behaviours, which involve a diverse group of stakeholders, and should consider ESG priorities as part of the company's business strategy.



Companies should list for the right reasons and learn what life will be like as a listed entity. They need to plan for this new world, and remember that an IPO is a milestone in their journey, rather than the end of the road.



KPMG: A **global** network

KPMG's global network can help facilitate your listing on stock exchanges in Hong Kong, Shenzhen, Shanghai and around the world.

KPMG China is part of a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 155 countries and has more than 162,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.





KPMG China

- KPMG China has around 9,000 professionals working in 16 offices.
- With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.
- In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China.
- KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins back to 1945.



KPMG has helped a large number of companies list in major markets. As one of the market leaders, we have experienced professionals to help you navigate the challenges of the complex IPO process.

An IPO turns a new page for your business. We look forward to playing a part in this important milestone.

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