



Hong Kong

February 2020

## HONG KONG STOCK EXCHANGE AND SFC ISSUE A JOINT STATEMENT ON RESULTS ANNOUNCEMENTS OF LISTED ISSUERS IN LIGHT OF TRAVEL RESTRICTIONS RELATED TO THE CORONA VIRUS

### Introduction

On 4 February 2020, in light of travel restrictions that have arisen in response to the outbreak of the corona virus, the Securities and Futures Commission (the **SFC**) and The Stock Exchange of Hong Kong Limited (the **HKEx**) issued a joint statement<sup>1</sup> (the **Statement on Financial Results Announcements**) providing guidance to listed companies and their auditors regarding disclosure of financial information and inside information under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **HKEx Listing Rules**) and the Securities and Futures Ordinance (the **SFO**), respectively.

### 1. HKEx Listing Rule Financial Reporting Requirements

The Statement on Financial Results Announcements highlights that travel and other restrictions resulting from the recent corona virus outbreak may disrupt the reporting or audit processes of certain issuers. If a listed issuer believes that, as a result of restrictions related to the corona virus, it will be unable to publish a preliminary results announcement or, as the case may be, issue audited financial statements within

the time limits required by the HKEx Listing Rules<sup>2</sup>, it should contact and discuss the situation with the HKEx as soon as possible.

The Statement on Financial Results Announcements recognises the extent to which listed issuers and their auditors are affected by the corona virus outbreak will vary. Issuers who are affected should provide the HKEx with the following, to the extent possible:

- i) a description of the travel and other restrictions which have affected its auditing or reporting process;
- ii) where available, an account of why these restrictions have meant that the issuer is unable to comply with the HKEx Listing Rules' reporting requirements;
- iii) the financial information that it can still report on; and
- iv) an explanation as to whether the accuracy, completeness and presentation of the available financial information is believed to have been adversely affected and, if so, to what extent.

<sup>1</sup> HKEx and SFC. 4 February 2020. Joint Statement in Relation to Results Announcements in light of Travel Restrictions Related to the Severe Respiratory Disease Associated with a Novel Infectious Agent. Available at: [https://www.hkex.com.hk/News/News-Release/2020/200204news?sc\\_lang=en](https://www.hkex.com.hk/News/News-Release/2020/200204news?sc_lang=en).

<sup>2</sup> See Main Board Listing Rules 13.49 (1) and (2) and GEM Rule 18.49 for requirements to publish financial results. The GEM Listing Rules also require, in addition to the publication of preliminary results, the publication of audited financial statements within three months after the financial year end

If an issuer is unable to obtain agreement from its auditors, but can otherwise publish its preliminary results in full compliance with the other reporting requirements of the HKEx Listing Rules, it should publish its preliminary results (without its auditors' agreement)<sup>3</sup> on or before the deadline. Issuers will need to comply with the requirements of HKEx Listing Rules 13.49(3) and (4). In these cases, HKEx will normally allow trading in the issuer's securities to continue.

HKEx Listing Rule 13.49(3) provides that where a listed issuer is unable to announce its preliminary results based on its financial statements within 3 months after its financial year end (as required by Listing Rule 13.49(1)) or without the agreement of its auditors (as required by Listing Rule 13.49(2)), it must make an announcement within 3 months of its financial year end containing:

- a) a full explanation for its inability to make an announcement based on financial statements which have been agreed with the auditors. Where there are uncertainties arising from lack of supporting evidence or relating to the valuation of assets or liabilities, sufficient information to allow investors to determine the significance of the assets and liabilities is required;
- b) the expected date of announcement of the financial results for the financial year which will have been agreed with the auditors; and
- c) so far as the information is available, results for the financial year based on financial results which have yet to be agreed with the auditors. Where possible, those results must have been reviewed by the issuer's audit committee. In the event that the audit committee disagreed with an accounting treatment that has been adopted or the particulars published in accordance with Listing Rule 13.49(3)(i)(a), full details of such disagreement.

The Statement on Financial Results Announcements also notes that GEM issuers that are unable to publish audited financial statements on or before the deadline should also follow Main Board Listing Rules 13.49(3) and (4).

<sup>3</sup> See Main Board Listing Rules 13.49(3) and (4). Issuers should include appropriate caution statements. GEM issuers that are unable to publish audited financial statements on or before the deadline should also follow Main Board Listing Rules 13.49(3) and (4).

In all other cases, the issuer should consult with the HKEx as soon as possible as to the financial information it can report on. The HKEx, in consultation with the SFC, will assess whether publication of this information will be sufficient to maintain an orderly, informed and fair market so that trading in the securities of the listed issuer can continue. Issuers must therefore be reasonably satisfied that the information provided is accurate and complete in all material respects. If, for example, there are uncertainties regarding the valuation of assets or liabilities, the issuer should describe what the uncertainties are and state how they may affect the valuation of such items so that investors can evaluate their significance. In making their assessment, HKEx and the SFC will take into account the views of the issuer's audit committee on the available unaudited financial information.

HKEx reminds issuers to engage with their auditors to discuss their audit plans and timetables, and to monitor any new development closely. It also reminds listed issuers of the responsibilities of their audit committees which include: (i) discussing with the auditors the nature and scope of the audit and reporting obligations; and (ii) monitoring the integrity of the issuer's financial statements (under paragraphs (b) and (d) of section C.3.3 of the Corporate Governance Code (Appendix 14 to the Listing Rules)).

## 2. Disclosure of inside information

Companies listed on HKEx have a statutory obligation under the SFO to disclose inside information to the public by way of announcement as soon as reasonably practicable after any such information has come to its knowledge. Where the corona virus outbreak and/or the related travel restrictions have materially disrupted a listed issuer's business operations, reporting controls, systems, processes or procedures, the listed issuer's management should assess whether any inside information has arisen. If it has, the listed issuer is required to make a separate announcement as soon as reasonably practicable independently of any obligation under the Listing Rules.

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