



Hong Kong

March 2020

## HKEX AND SFC ISSUE FURTHER GUIDANCE ON RESULTS ANNOUNCEMENTS IN LIGHT OF COVID-19

On 4 February 2020, in light of travel restrictions due to the outbreak of COVID-19, the Securities and Futures Commission (**SFC**) and the Stock Exchange of Hong Kong Limited (**HKEX**) issued a Joint Statement in relation to Results Announcements in Light of Travel Restrictions Related to the Severe Respiratory Disease associated with a Novel Infectious Agent<sup>1</sup> providing guidance to listed companies and auditors on disclosure of financial information and inside information under the Listing Rules and Securities and Futures Ordinance (**SFO**). Please see Charltons' February 2020 Newsletter<sup>2</sup> for a summary of the February joint statement.

The HKEX and the SFC followed up with Further Guidance on the Joint Statement in relation to Results Announcements in light of the Covid-19 Pandemic<sup>3</sup> (**Further Guidance on Results Announcements in COVID-19**) on 16 March 2020 providing further advice on the publication of preliminary results and annual reports to listed issuers who have a 31 December financial year end. The HKEX's Frequently asked questions on the Joint Statement in relation to Results Announcements in light of Travel Restrictions related to the Severe Respiratory Disease associated with a Novel Infectious Agent (Joint Statement)<sup>4</sup> (**FAQ**) issued on 28 February were also updated on 16 March 2020.

- 1 [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)
- 2 <https://www.charltonslaw.com/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/>
- 3 [https://www.hkex.com.hk/News/News-Release/2020/2003163news?sc\\_lang=en](https://www.hkex.com.hk/News/News-Release/2020/2003163news?sc_lang=en)
- 4 [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs\\_jointstate.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs_jointstate.pdf?la=en)

The Further Guidance on Results Announcements in COVID-19 recognised the severity and unpredictable nature of the COVID-19 outbreak and advised listed issuers to assess what is reasonable in fulfilling their reporting obligations in light of their individual circumstances.

### 1. Guidance for Issuers Unable to Publish a Preliminary Results Announcement in accordance with the HKEX Listing Rules by 31 March 2020

Where issuers are unable to publish their preliminary results announcement without their auditors' agreement by 31 March 2020, the HKEX will not normally suspend trading in their securities (see Q.1 and Q.2 of the FAQ). In all other cases the issuer should consult the HKEX as soon as possible to discuss its individual circumstances.

Further to the HKEX's guidance in Q.3 of the FAQ, the Further Guidance on Results Announcements in COVID-19 specifies that to allow trading in a listed issuer's securities to continue, the listed issuer should publish material financial information necessary to enable trading in the listed issuer's securities to continue (**Material Information**).

This Material Information includes:

- key financial figures such as assets, liabilities, income and expenses, and changes in shareholders' equity; and

- narrative discussions of the listed issuer's financial position and performance during the year to supplement the financial figures provided, including the impact of any material events and any material transactions that have taken place.

The announcement should also explain how and why the travel restrictions have affected the listed issuer's ability to meet the reporting deadline.

## 2. Guidance on Publication of Annual Reports due by 31 March 2020 (GEM issuers) and 30 April 2020 (Main Board Issuers)

The Further Guidance on Results Announcements in COVID-19 sets out the following arrangements for the publication of annual reports due by 31 March 2020 (GEM Issuers) and 30 April 2020 (Main Board Issuers).

From 16 March 2020, a listed issuer may delay the publication of its annual report for up to 60 days if the listed issuer has published any of the following on or before 31 March 2020:

- its preliminary results together with its auditors' agreement in compliance with Main Board Listing Rule 13.49 or GEM Rule 18.49;
- its preliminary results without its auditors' agreement;<sup>5</sup>
- its management accounts;<sup>6</sup> or
- Material Information.<sup>7</sup>

Where a listed issuer delays the publication of its annual report in line with the above, the listed issuer must:

- announce an estimate of when it expects to publish its financial report together with an explanation of the factors that it took into account when arriving at the expected timeframe; and

- keep the market informed of the expected publication date of its annual report along with other appropriate updates.

Importantly, the HKEx and SFC recognise that the circumstances of certain listed issuers may require a further extension. The 60-day extension period detailed above may be extended where necessary. This will be assessed by the HKEx on a case-by-case basis.

If a listed issuer wishes to apply for an extension, it must provide the HKEx with the following:

- an explanation of why the extension is necessary;
- the details of its plan to prepare and publish its annual report; and
- its proposed announcement in respect of the proposed extension.

When assessing an application for a further extension, the HKEX has noted that it will take into account, among other things:

- the need for the market to be adequately informed as to the listed issuer's financial position and performance; and
- the comparability of available information for traded stocks.

## 3. Practical Steps and Recommendations

The listed issuer should assess whether or not the travel and/or other restrictions are likely to impact its financial reporting obligations. The listed issuer should conduct this assessment together with its auditor. As part of this assessment, the listed issuer should discuss the audit deadlines with its auditor and communicate to its auditor any new developments which may adversely impact the listed issuer in the context of its reporting obligations. Overcoming these challenges will require a flexible approach to be adopted by both the listed issuer and its auditor.

The importance of proactivity and communication in these uncertain circumstances cannot be stressed enough.

5 See HKEx FAQ 1 - [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs\\_jointstate.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs_jointstate.pdf?la=en)

6 See HKEx FAQ 2 - [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs\\_jointstate.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs_jointstate.pdf?la=en)

7 See HKEx FAQ 3 - [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs\\_jointstate.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Joint-Statement-with-SFC/faqs_jointstate.pdf?la=en)

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