

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/September-2018-Adverse-Audit-Opinion/Consultation-Paper/cp201809.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree with the proposal to add a Rule to require trading suspension if an issuer has published a preliminary annual results announcement and its auditor has issued, or has indicated that it will issue, a disclaimer or an adverse opinion on the issuer's financial statements?

Yes

No

If your answer is "No", please give reasons for your views.

A disclaimer or an adverse audit opinion is based on auditing standard and strictly defined in Hong Kong Standard on Auditing 705. Insufficient appropriate audit evidence can be resulted from circumstances beyond the control of the entity or circumstances relating to the nature or timing of the auditor's work, rather than limitations imposed by management. The issuer should be given the opportunity to disclose their reasons for the disclaimer or adverse opinion. Trading suspension or de-listing is not the right solution for addressing the issuer.

2. Do you agree with the proposed Rule 13.50A to require the issuer to address the issues giving rise to the disclaimer or adverse opinion, provide comfort that a disclaimer or adverse opinion in respect of such issues would no longer be required, and disclose sufficient information for investors to assess its updated financial position before trading resumption (as described in paragraph 32 of the Consultation Paper)?

Yes

No

If your answer is "No", please give reasons for your views.

In real life, we notice any issuers get disclaimer or adverse opinion not because of its own deliberate action to destroy accounting evidence or obstructing the auditor, etc., but due to unfortunate events beyond the control of the listed issuer such as litigation and dispute on significant asset or contract or income, funding shortage due to poor market sentiment, failure to obtain audit confirmation or evidence of recoverability of receivable debtors. Imposition of trading suspension only serves to penalize the victim rather than to address the real issues. We suggest to stick with the existing disclosure-based rules regarding disclaimer opinion issuers.

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