

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) and holding of general meetings

21 February 2022 (Updated on 8 April 2022)

The Exchange and the SFC continue to closely monitor recent developments of the COVID-19 pandemic. The Exchange provides the following update:

	Question	Answer
1.	<p>The Joint Statements issued on 4 February and 16 March 2020 provided a timing relief to issuers with a financial year ended 31 December 2019 for the publication of preliminary results (i.e. release of results without the auditors' agreement).</p> <p>In light of the recent COVID-19 surge and the recent pandemic-related measures announced in Hong Kong, will the approach adopted in the Joint Statement be applied to issuers whose financial year-ends fall beyond 31 December 2019?</p>	<p>The Exchange will continue to adopt a similar approach as described in the Joint Statements to issuers whose financial year ends fall beyond 31 December 2019 on a case by case basis, taking into account the prevailing circumstances. We invite issuers whose audits are affected by the recently announced pandemic-related measures to discuss their situation with us at the earliest instance.</p> <p>The approach adopted in the Joint Statements worked well to accommodate pandemic-induced difficulties faced by issuers at that time and is understood by the market. This arrangement had continued to apply to issuers whose financial year ends fall beyond 31 December 2019 on a case by case basis. As stated in the Exchange's Listed Issuer Regulation Newsletter issued in May 2021, 27 issuers with a financial year ended 31 December 2020 sought a timing relief under the Joint Statement.</p>
2.	<p>If issuers are unable to publish their annual reports for the financial year ended 31 December 2021 before the publication deadlines due to the COVID-19 pandemic, can they apply for an extension of the deadline?</p>	<p>The Exchange will apply the guidance set out in the Joint Statements to allow an issuer to defer publication of its annual report up to 15 May 2022 if it has published financial Information described in the Joint Statements on or before 31 March 2022.</p> <p>As set out in the Joint Statements, an issuer requiring an extension must (i) announce when it expects to publish its annual report with an explanation of</p>

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		<p>the factors that it considered in arriving at such estimation, and (ii) keep the market informed of the expected publication date of its annual report along with other updates as appropriate.</p> <p>A formal written waiver application is required if an issuer applies for an extension beyond 15 May 2022. The Exchange will consider any such application on a case by case basis.</p> <p>(Updated on 8 April 2022)</p>

28 February 2020 (Updated on 16 March 2020) (Questions 10 and 11 updated on 21 February and 2 March 2022) (Question 11 withdrawn on 28 February 2023)

The Exchange and the Securities and Futures Commission (the SFC) have held discussions with various stakeholders and listed issuers on the Joint Statement and below are some questions frequently asked during the course of the discussions. On 21 February and 2 March 2022, the Exchange, after consultation with the SFC, provide the following update to Questions 10 and 11. On 28 February 2023, Question 11 was withdrawn following the update of the Exchange's Guide on General Meetings.

	Question	Answer
A. Publication of results by issuers with December 31 financial year end		
1.	<p>If an issuer is able to publish a preliminary results announcement but without agreement with auditors by 31 March 2020,</p> <p>(i) can trading in its securities continue?</p> <p>(ii) what should the announcement include?</p>	<p>(i) Yes. As explained in the Joint Statement, the Exchange will not normally suspend trading of the securities of the issuer.</p> <p>(ii) In addition to the preliminary results, the issuer may consider including:</p> <p>a. a statement to the effect that the results have not been agreed with its auditors;</p>

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	(iii) if the issuer's financial results are subsequently agreed by auditors, should it publish a further announcement?	<p>b. an explanation for the lack of agreement with auditors and where available, the expected date that the results may be agreed with auditors; and</p> <p>c. whether the results have been agreed with the audit committee and if there is disagreement, details of the disagreement.</p> <p>(iii) Yes, the announcement can simply state that the previously published results have been agreed with auditors. If there are adjustments to the accounts, the announcement should clearly explain the adjustments and where appropriate, publish the revised results that have been agreed with auditors.</p>
2.	<p>If an issuer has management accounts available but is uncertain as to potential adjustments to the financial figures (whether due to the lack of supporting evidence or relating to the impairment or valuation of assets or liabilities),</p> <p>(i) can trading in its securities continue if it publishes such accounts by 31 March 2020?</p> <p>(ii) what should the announcement include?</p> <p>(iii) if the issuer's financial results are subsequently agreed by auditors, should it publish a further announcement?</p>	<p>(i) As explained in the Joint Statement, it is our overall objective to minimize trading disruptions. In this regard the issuer should provide the investing public with sufficient information to make investment decisions (see (ii) below). For example, the Exchange will not normally require trading suspension:</p> <p>a. if there are uncertainties on certain financial items and the issuer can highlight the areas of uncertainties in its announcement.</p> <p>b. if the issuer cannot provide breakdown of financial figures normally in notes to financial statements.</p> <p>(ii) The announcement should provide details of the uncertainties. In preparing the financial information for publication, issuers may refer to the e-News published by the Financial Reporting Council (the FRC) on 6 February 2020 (https://www.frc.org.hk/en-us/enews/202002/enewsletter_202002_en_Final_website.pdf) for advice to the board of directors and audit committees.</p> <p>The announcement should comply with the standards for disclosure for issuers' communication (see Main Board Rule 2.13/ GEM Rule 17.56). In</p>

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		<p>particular, information presented in the announcement should be, taken as a whole, accurate and complete in all material respects and not be misleading or deceptive.</p> <p>(iii) Where the issuer is subsequently aware of any material differences and/or has obtained the outstanding information, it should publish a supplemental announcement to clearly explain the differences and/or disclose the outstanding information when the information is available and where appropriate, revised results that have been agreed with auditors (see also Question 5 on material differences).</p>
3.	<p>If an issuer's operations are severely affected by the outbreak of SRD and cannot prepare its management accounts,</p> <p>(i) can trading in its securities continue?</p> <p>(ii) what should the announcement include?</p>	<p>As recommended in the Joint Statement, the issuer should consult with the Exchange on the financial information that it is able to report on as soon as possible. The Exchange will assess whether the publication of this information will be sufficient to maintain an orderly, informed and fair market so that trading in the issuer's securities can continue.</p> <p>See also Further Guidance on the Joint Statement released by the SFC and the Exchange on 16 March 2020 for additional guidance as to what would suffice as material financial information necessary to enable trading in the issuer's securities to continue.</p> <p>If the issuer's business operations, reporting controls, systems, processes or procedures are materially disrupted by the SRD outbreak and/or the related travel restrictions, management should assess whether any inside information has arisen under Part XIVA of the Securities and Futures Ordinance (the SFO) and, if so, make a separate announcement as soon as reasonably practicable, independent of any announcement required under the Listing Rules.</p> <p><i>(Updated on 16 March 2020)</i></p>

	Question	Answer
4.	Should an issuer make a written submission to the Exchange and/or apply for a waiver if its preliminary results announcement does not fully comply with Main Board Rules 13.49(1) and (2)/ GEM Rule 18.49?	<p>To reduce the administrative burden of issuers we welcome issuers to make verbal enquiries.</p> <p>A waiver application is <u>not</u> required where an issuer publishes a preliminary results announcement that does not fully comply with the requirements in Main Board Rules 13.49(1) and (2)/ GEM Rule 18.49 and/or where the Exchange exercises its discretion under Main Board Rule 13.50/ GEM Rule 17.49A not to suspend trading in the issuer's securities.</p>
5.	<p>If an issuer has concerns that its management accounts may have material differences compared to its later audited financial statements,</p> <p>(i) what should the issuer do?</p> <p>(ii) can the issuer postpone the publication of the preliminary results announcement until the audit is completed?</p>	<p>(i) To minimize potential material differences, the audit committee is encouraged to discuss the key audit matters with the auditors as early as possible. Please see the advice from the FRC in its e-News released on 6 February 2020 (https://www.frc.org.hk/en-us/enews/202002/enewsletter_202002_en_Final_website.pdf).</p> <p>The SFC and the Exchange will not take disciplinary action solely because of material differences. We will consider whether the issuer and its directors have been diligent and reasonable in their treatment of accounts or put a good faith effort on the available information. Issuers can also refer to the Hong Kong Institute of Directors' response to the Joint Statement published on 7 February 2020 (https://www.hkiod.com/7Feb2020_final.pdf) and guidance provided by the FRC in its February e-News.</p> <p>(ii) The issuer is reminded of its obligation to timely disclose inside information under Part XIVA of the SFO. Withholding of unaudited financial information may expose the issuer to a risk of non-compliance with Part XIVA of the SFO.</p>
6.	Are there different requirements for A+H issuers that cannot publish preliminary results announcements with agreements with auditors by 31 March 2020?	No. The A+H issuer should follow the guidance under the Joint Statement (see also questions above).

	Question	Answer
B. Publication of audited financial statements and Listing Rules requirements related to published financial information		
7.	If an issuer cannot publish its annual report by 30 April 2020 (for GEM issuers, 31 March 2020), can the issuer postpone the publication of its annual report?	<p>Yes. See Further Guidance on the Joint Statement released by the SFC and the Exchange on 16 March 2020.</p> <p>The issuer should also take note of the deadline for holding an annual general meeting and plan accordingly (see also Question 10).</p> <p><i>(Updated on 16 March 2020)</i></p>
8.	When does the blackout period for an issuer that publishes a preliminary results announcement without auditors' agreement on 31 March 2020 end?	<p>By now, all issuers with December year end should have started the blackout date (based on the expected publication time on or before 31 March 2020).</p> <p>Rule A.3 of Appendix 10/ note to GEM Rule 5.56 states that "<i>Directors should note that the period during which they are not allowed to deal under rule A.3 will cover any period of delay in the publication of a results announcement.</i>"</p> <p>Accordingly, the blackout period ends when the issuer releases the audited financial results (or an announcement confirming that the released results have now been agreed with auditors).</p>
9.	For the purpose of the size tests , if the issuer published the preliminary results announcement without auditors' agreement, can the issuer refer to the financial figures in such announcement when computing the assets ratio, profits ratio and revenue ratio?	Reference is made to FAQ Series 7 No. 10, which states that the issuer must ensure accuracy of the figures used for computing the assets, profits and revenue ratios if the figures in the percentage ratios computation are referred to the preliminary results announcement with auditors' agreement. Under the current circumstance we will adopt the same approach for an issuer that has published a results announcement without auditors' agreement.

	Question	Answer
		Where any such figures need to be revised in the audited accounts subsequently available, the issuer should re-compute the relevant percentage ratios and comply with any additional requirements if the proposed transaction falls under a higher classification.
C. Holding of general meetings		
10.	Under the Listing Rules, issuers are required to lay financial statements at annual general meeting (AGM) within six months after financial year end. Could the issuer postpone the date of its annual general meeting beyond six months as a result of the delayed publication of audited financial statements?	<p>For overseas and PRC issuers, we may consider waiving the relevant Listing Rules requirement under Main Board Rule 13.46(2)(b)/ GEM Rule 18.03 Note 3 on a case-by-case basis. However, the directors should also observe the relevant requirements under the laws and regulations in their jurisdictions and the issuers' own articles of association. <i>(Note: PRC, Cayman and Bermuda company laws require companies (other than exempted companies in the Cayman Islands) to hold AGMs at least once every year. The PRC also requires listed companies to hold AGMs within six months of the closing of the financial year.)</i></p> <p>For Hong Kong issuers, the Companies Ordinance requires the issuer to hold the AGM within six months and directors to lay the issuer's annual financial statements at its AGM within the period of six months after the end of the financial year. While Main Board Rule 13.46(1) Note 2/ GEM Rule 18.03 Note 3 also requires Hong Kong issuers to lay accounts within six months of its financial year end, the Exchange will not grant any waiver that would result in contravention with company laws. Listed issuers having genuine difficulties in fulfilling the requirement should approach the Exchange early to discuss the situation on a case by case basis.</p> <p><i>(Updated on 16 March 2020 and 2 March 2022)</i></p>
11.	(FAQ withdrawn on 28 February 2023)	