

# How to deal with your Annual Report at a glance

Updated on 16 March 2020

To deal with queries with regard to different 3 scenarios facing the issuers with the results announcement of 31 December financial year end, The Stock Exchange of Hong Kong Limited (“SEHK”) posted frequently asked questions (“FAQ”) on 28 February 2020 further to the Joint Statement (“Joint Statement”) of the Securities and Futures Commission (“SFC”) and SEHK in light of Travel Restrictions related to the epidemic outbreak on 4 February 2020. SFC and SEHK released further guidance on the Joint Statement (“Further Guidance”) for listed issuers with 31 December financial year end on the publication of their preliminary results and annual reports on 16 March 2020. The following table summarizes guidances on how to publish the preliminary results and annual report and how to hold annual general meeting together with relevant issues.



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Scenario 1                                                                                                                                                                                                                                                                                                                                                                                                                                              | Scenario 2                                                                                                                                                                                                                          | Scenario 3                                                                                                                                                                                                                                                                                                     |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>Able to publish a preliminary results announcement without agreement with auditors</b>                                                                                                                                                                                                                                                                                                                                                               | <b>Able to publish management accounts but is uncertain as to potential adjustments to financial figures</b>                                                                                                                        | <b>Management accounts are not available</b>                                                                                                                                                                                                                                                                   |
| <b>Q1. What do issuers need to do with the preliminary results announcement?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | In addition to the preliminary results announcement, the issuer needs to include: <ul style="list-style-type: none"> <li>i) Statement on the results have not been agreed with its auditors;</li> <li>ii) An explanation on lack of agreement and expected date on the agreed results ; and</li> <li>iii) Whether the results have been agreed with the audit committee and if there is disagreement, state the details of the disagreement.</li> </ul> | The Issuer shall prepare financial information and provide details of the uncertainties and ensure that the information should be taken as a whole, accurate and complete in all material respects and not misleading or deceptive. | The issuer should consult with SEHK what financial information can be disclosed as soon as possible. SEHK will assess whether the information is sufficient to maintain an orderly, informed and fair market so that trading in the issuers’ securities can continue.                                          |
| <b>Q1a. Will trading in securities of an issuer be suspended?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | SEHK will normally not suspend trading in its securities.                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                     | SEHK will allow trading in its securities to continue, subject to publication of Material Financial Information. <sup>1</sup>                                                                                                                                                                                  |
| <p><sup>1</sup> Material Financial Information includes (i) Key financial figures such as assets, liabilities, income and expenses, and changes in shareholders’ equity; and (ii) Narrative discussions of its 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.</p> <p><sup>2</sup> In all cases, the announcement should also explain how and why the travel and other restrictions have affected the issuer’s ability to meet its reporting deadline.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                |
| <b>Q2. Shall issuers need to publish a further announcement?</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Yes, stating the results have been agreed with auditors or publishing the revised results with the explanation on the adjustments.                                                                                                                                                                                                                                                                                                                      | Yes, disclose the outstanding information and publish the revised results with the explanation on the differences and where appropriate, the statement on agreement with auditors.                                                  | Probably, the Issuer might consider making a separate announcement as soon as reasonably practicable based on inside information pursuant to Part XIVA of the Securities and Futures Ordinance If there are material disruptions on business operations, reporting controls, systems, processes or procedures. |

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|                                                                                                                                        | Scenario 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Scenario 2 | Scenario 3                                                                                                                    |
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| Q3. Shall issuers need to make a written submission or apply for a waiver?                                                             | No, where an issuer publishes a preliminary results announcement that does not fully comply with the requirements in HKEx listing rules.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |            | No, where SEHK exercises its discretion not to suspend trading in the issuer's securities. Issuers can make verbal enquiries. |
| Q4. Will the directors be held liable for material differences between the management accounts and later audited financial statements? | SFC and SEHK will not take disciplinary action solely because of material differences provided that the directors have been diligent and reasonable in their treatment of accounts or put a good faith effort on the available information. To minimize potential material differences, the audit committee is encouraged to discuss Key Audit Matters with the auditors as early as possible.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |            |                                                                                                                               |
| A+H issuers                                                                                                                            | There are no different rules or requirements for A+H issuers to publish preliminary results announcement with agreements with the auditors by 31 March 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |                                                                                                                               |
| Q5. Can issuers defer the publication of annual report?                                                                                | <p>Yes, based on Further Guidance, an issuer who has fulfilled the above publication requirements of preliminary results (please refer to the answer to Q1) may defer the publication of its annual report initially for up to 60 days from the Further Guidance until 15 May 2020, subject to:</p> <ul style="list-style-type: none"> <li>(i) announcing an estimated date of publication of its annual report with explanations; and</li> <li>(ii) keeping the market informed of the expected publication date of its annual report along with other updates as appropriate.</li> </ul> <p>An issuer who needs a further extension beyond the 60-day extension must apply to SEHK for consideration on its individual merits<sup>3</sup> with the provision of the following information:</p> <ul style="list-style-type: none"> <li>(i) an explanation of why such further extension is necessary (e.g. necessary accounting or other information remains unavailable; its auditors continue to be unable to obtain the verification for its assurance);</li> <li>(ii) the details of its plans to prepare and publish its annual report; and</li> <li>(iii) its proposed announcement in relation to such further extension (including any updated financial and operational information that it is able to provide to the market in the interim).</li> </ul> <p><sup>3</sup> SEHK will assess each application on a case-by-case basis taking into account, among other things: (i) the need for the market to be adequately informed as to the issuer's financial position and performance; and (ii) the comparability of available information for traded stocks.</p> <p><b>Reminder: Issuers need to separately comply with any additional requirements under the laws and regulations of their jurisdiction of incorporation and their articles of association, especially with regards to holding Annual General Meetings. An extension granted by SEHK would not modify, exempt or defer such requirements.</b></p> |            |                                                                                                                               |
| Q6. When will the blackout period end?                                                                                                 | It will end when the issuer releases the audited financial results or results with the auditors' agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |                                                                                                                               |

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|                                                                          | Scenario 1                                                                                                                                                                                                                                                                                                                                                                                                  | Scenario 2 | Scenario 3                                                                                                                                                                                                        |
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| Q7. Can relevant financial figures be used for the purpose of Size Test? | Yes, but need to re-compute the relevant percentage ratios for transactions using revised figures in the later audited accounts and comply with any additional requirements where they fall under a higher classification.                                                                                                                                                                                  | NA         | NA                                                                                                                                                                                                                |
| Q8. Particular matters to watch out about Annual General Meetings (AGMs) | Date:                                                                                                                                                                                                                                                                                                                                                                                                       |            | Place & Timing:                                                                                                                                                                                                   |
|                                                                          | <p>For PRC &amp; HK issuers, AGMs have to be held once every year and within six months after the end of the financial year and the directors of HK issuers shall lay the issuer's annual financial statements at the same time.</p> <p>For overseas issuers, SEHK may consider waiving on a case by case basis, subject to laws and regulations of issuers' jurisdictions/own articles of association.</p> |            | AGMs shall be held at such place and time or by use of technology (e.g. webcast, video conference) to maximize shareholder participation in compliance with the company laws and its own articles of association. |
|                                                                          | Taking Vote:                                                                                                                                                                                                                                                                                                                                                                                                |            |                                                                                                                                                                                                                   |
|                                                                          | In case AGMs held via webcast/video conferencing, the issuer should clearly explain to shareholders whether or not they are allowed to vote and if so, how to vote.                                                                                                                                                                                                                                         |            |                                                                                                                                                                                                                   |

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Friendly Reminder: Five actions that you should start right now!

## **Action 1: Immediately Host A Thorough Discussion With Auditors, Audit Committee and Board Of Directors**

The discussion shall focus on, primarily (a) whether the Restriction affects the audit plan and timetable; (b) any key audit matters and (c) whether the auditor will give a qualified audit report.

## **Action 2: Watch Out of Inside Information Disclosure**

In addition to handling the possible delay of publication of the Annual Results Announcement, if the listed company is an A+H or GEM issuer, you should consider carefully whether they are able to comply with the requirement of publishing the 1st quarterly results as well as the impacts on the operations and results. The issuer must disclose the inside information (if any), as a separate announcement, to the public as soon as reasonably practicable.

## **Action 3: Keep Stock Exchange Updated of The Developments**

No matter how you (as the issuer) currently has been assessed, after preliminary discussion with paramount importance for the management to closely monitor any new developments and work out a contingency plan with the auditors and audit committee on the financial reporting and audit work, and promptly update the Stock Exchange of the timing of the Annual Results Announcement should there be any changes.

## **Action 4: Avoidance of Suspension of Trading**

In order to avoid the suspension of trading of the securities on the Stock Exchange, please be reminded that you must consult with the Stock Exchange of the circumstances leading to no publication of audited Annual Results Announcement and nonetheless, shall publish the Annual Results Announcement (without agreement with auditors) by the prescribed date (namely 31 March 2020 for those with the financial year ended 31 December 2019). In such case, your audit committee shall be responsible for reviewing the Annual Results Announcement with indicating therein any disagreements (if any) with accounting treatments and/or information so disclosed.

## **Action 5: Be Prepared on Arrangements or Systems for Communications/Meetings**

Please ensure communication systems will be able to provide support to avoid communication disruptions if work from home or remote office polices are in place.