

[Securities Regulation Daily Wrap Up, INTERNATIONAL NEWS—Hong Kong may ease reporting requirements in light of coronavirus outbreak, \(Feb. 5, 2020\)](#)

Securities Regulation Daily Wrap Up

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Securities regulator and Hong Kong Exchange advise companies how to proceed if their quarterly announcements and/or financial statements are affected by the restrictions surrounding the virus outbreak.

Due to travel and other restrictions that have arisen in response to the outbreak of the Coronavirus in China, the Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong will consider relaxing public companies' reporting requirements in some circumstances. In guidance issued by the two entities, they advised issuers to contact the exchange as soon as possible if restrictions imposed due to the virus outbreak may disrupt their announcement of results, or their issuance of financial statements.

In response to the coronavirus outbreak, many airlines around the world have suspended flights to and from China, which has disrupted both business and pleasure travel in and out of the country. The U.S. is currently denying entry to foreign nationals who visited China in the 14 days prior to their arrival to the U.S., and subjecting U.S. citizens who have been in China's Hubei province to a mandatory quarantine. U.S. citizens who have visited other parts of China must undergo health screenings at selected airports.

In the [Hong Kong guidance](#), the SFC noted that the impact of the virus outbreak and the global travel restrictions on issuers and auditors will vary on a case-by-case basis. The SFC said that affected issuers should provide the exchange with a description of the travel and other restrictions that have affected its auditing or reporting process, and an account of why the restrictions have meant that it is unable to comply with the relevant reporting requirements set out in the exchange's listing rules.

The SFC also asked that issuers provide the financial information on which they will still be able to report. In addition, issuers should explain whether the accuracy, completeness, and presentation of the financial information available has been adversely affected and, if so, to what extent, the SFC stated.

No agreement with auditors. In instances when an issuer is unable to obtain an agreement from its auditors but is otherwise able to publish its preliminary results in full compliance with the other reporting requirements in the listing rules, the SFC advised that the issuer should publish the preliminary results without the agreement with its auditors on or before the deadline. The SFC said that in these cases, the exchange will allow trading in the securities of the issuer to continue.

The SFC noted that in all other cases, issuers should consult with the exchange as soon as possible on the financial information on which it is able to report. The SFC and the exchange will determine whether publication of this information will be sufficient to maintain an orderly and fair market so that trading in the securities can continue. The SFC cautioned that issuers should be reasonably satisfied that the information is accurate and complete in all material respects.

Uncertain valuation. When there are uncertainties relating to the valuation of assets or liabilities, the SFC asked that issuers describe the uncertainties and indicate how they may affect the valuation so that investors may evaluate their significance.

The SFC and the exchange emphasized that their objective is to minimize disruptions to trading while ensuring that investors receive sufficient information to make informed investment decisions. In making this assessment,

the SFC and the exchange will consider the views of the issuer's audit committee on the unaudited financial information available to the issuer.

Inside information. In the guidance, the SFC reminded issuers that the Securities and Futures Ordinance provides that, subject to specified exceptions, a listed corporation must, as soon as reasonably practicable after any inside information has come to its knowledge, disclose the information to the public. Consequently, if an issuer's business operations, reporting controls, systems, processes, or procedures are materially disrupted by the coronavirus outbreak and the related travel restrictions, management should assess whether any inside information has arisen. If so, the issuer should make a separate announcement as soon as possible, independent of the listing rule requirements, the SFC advised.

U.S. SEC alert. The U.S. SEC issued an [investor alert](#) related to the coronavirus outbreak, warning investors to be aware of fraudsters trying to capitalize on the news. The agency said that it has become aware of a number of Internet promotions when companies claim to have products that can prevent, detect, or cure coronavirus.

The Commission noted that the scams often take the form of "research reports" and make predictions of a specific "target price." It urged investors to be skeptical of such promotions, particularly those related to microcap stocks, and to be aware of the substantial potential for fraud at this time. The SEC recommended that investors carefully research any coronavirus-related investment, keeping in mind that scam artists often exploit the latest crisis to their financial advantage.

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