Cross-Border Listings Guide - Hong Kong Stock Exchange (Main Board)

Continuing obligations/periodic reporting

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# Continuing obligations/periodic reporting

[Last updated: 1 January 2024, unless otherwise noted]

Once a company is listed, it must publish its interim and annual accounts within a prescribed timeframe and follow the content and publication requirements set out in the Main Board Listing Rules. In addition, the Main Board Listing Rules prescribe other continuing disclosure requirements on listed companies, such as immediate disclosure of inside information, notifiable transactions and connected transactions. In the first financial year after listing, a newly listed company must consult its compliance adviser (i) before publication of any regulatory announcement, circular or financial report; (ii) when it is contemplating a notifiable or connected transaction; (iii) when it is proposing to use the proceeds of the initial public offering in a manner different from that detailed in the prospectus or where the business activities, developments or results of the issuer deviate from any forecast, estimate, or other information in the prospectus.

A listed issuer may not affect any transaction or arrangement which would result in a fundamental change in its principal business activities as described in the prospectus in the first 12 months after listing.

*Inside information.* As one of the continuing disclosure requirements under the Main Board Listing Rules and the SFO, a listed company has a general obligation to disclose price sensitive or inside information to the public. Inside information means specific information about the company, its shareholders or officers or its shares/derivatives that is not generally known to the persons who are accustomed to deal in the shares of the company, which, if known to them would likely materially affect the price of the listed shares. The obligations to disclose inside information depend upon the facts of each case.

*Financial statements*. The issuer must issue (i) an annual report including its annual financial results within four months after the end of the financial period; and (ii) an interim report including its half-year interim results (for the first 6 months of each financial year) within three months after the end of that six months period.

Annual financial statements must be audited by a firm of practising accountants which is a PIE Auditor under the Hong Kong Accounting and Financial Reporting Council Ordinance (AFRCO).  Annual financial statements of an overseas issuer with primary listing on the HKSE must be audited by either (a) a Registered PIE Auditor under the AFRCO; or (b) an overseas firm of practising accountants that is a Recognised PIE Auditor of that issuer under the AFRCO. Interim financial statements (half-year or quarterly) do not need to be audited but they must be "reviewed" by the auditors.

In addition to disclosing inside information and financial statements, the Main Board Listing Rules impose other continuing disclosure obligations on listed companies such as changes of directors, notifiable transactions (which, in some cases, may not only require disclosure but will also require prior approval from shareholders) and corporate actions. Generally, announcements regarding acquisitions, disposals and results of shareholders' meeting must be published on the same day that the relevant agreements are signed or on the same day on which the shareholders' meeting was held. In any event, announcements must be published no later than 30 minutes before the commencement of the morning trading session of the next business day. Certain types of announcements and circulars have to be vetted by the HKSE before publication.

*Market misconduct.* In Hong Kong, market misconduct is governed by the SFO. The six forms of market misconduct comprise:

Insider dealing.

False trading.

Price rigging.

Stock market manipulation.

Disclosure of false or misleading information inducing transactions.

Disclosure of information about prohibited transactions.

The SFO governs the Market Misconduct Tribunal (MMT), which has the power to impose civil sanctions for market misconduct activities. The SFO also contains a parallel criminal regime. There is, however, no "double jeopardy" under the two regimes. Under the civil regime, the MMT may make various orders, such as:

Disqualifying an officer of a listed corporation for up to five years.

Prohibiting dealings in any securities, futures or leveraged foreign exchange contracts for up to five years.

Disgorgement of the amount of any profit gained or loss avoided as a result of the market misconduct.

The maximum criminal sanctions are 10 years' imprisonment and fines of HK$10 million (approximately US$1.28 million).

In addition, third party actions in the courts are permitted. A person who has "committed a relevant act in relation to market misconduct" is liable to pay compensation by way of damages to any other person for any pecuniary loss sustained by the other person as a result of the market misconduct. The proceedings of the MMT are admissible in such cases.

The SFO also imposes a duty on a company's officers (including its directors) to take all reasonable measures to ensure that proper safeguards exist to prevent the company from committing any market misconduct. If the company is identified as having engaged in market misconduct, the MMT may impose sanctions on any of its officers (including its directors) so long as the misconduct is attributable, directly or indirectly, to a breach by that officer of the duty imposed on him to take the preventive measures.

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