



**CONSULTATION PAPER  
ON PROPOSAL RELATING TO  
LISTED ISSUERS WITH DISCLAIMER OR ADVERSE  
AUDIT OPINION ON FINANCIAL STATEMENTS**

**The Law Society's Submissions**

The Stock Exchange of Hong Kong Limited (the "Exchange") has issued a consultation paper on "Proposal relating to listed issuers with disclaimer or adverse audit opinion on financial statements" on 28 September 2018. The Law Society makes the following submissions on the consultation questions posed.

***Question 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? If not, why?*

**Law Society's response:**

We support the proposal.

A disclaimer or adverse audit opinion is a much more serious matter than a qualification on a particular issue. Such a disclaimer or adverse audit opinion indicates that the information in the relevant financial statements cannot be relied upon, in which case investors would not have enough information to make an informed assessment when considering trading in the securities of the relevant company. Separately, elaboration on how this trading suspension may activate the delisting framework will be helpful for issuers to understand the full impact of the new proposal.

***Question 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 [in the Consultation Paper])? If not, why?*

**Law Society's response:**

Agree. This is necessary to protect the investing public. In addition, it should be a strong deterrent which may result in less financial statements being issued with disclaimer or adverse audit opinions which will be good for the market.

**The Law Society of Hong Kong  
27 November 2018**