

Listings and takeovers

Listing policy

In July, we published the first issue of the *SFC Regulatory Bulletin: Listed Corporations*, providing guidance on the manner in which we perform some of our functions under the Securities and Futures (Stock Market Listing) Rules (SMLR) and the Securities and Futures Ordinance (SFO) in relation to listed corporations and other listing matters. We are taking steps under the SMLR and more generally under the SFO to intervene in serious cases at an early stage, in response to changing market conditions and risks, to protect the investing public.

We issued a statement in April setting out the factors we take into account when reviewing the proposed listing of infrastructure project companies in Hong Kong, including those from "Belt and Road" countries, covering potential country and related risks. We also issued a guidance note in May on directors' duties regarding valuations in corporate transactions together with a statement on the liability of valuers for disclosure of false or misleading information.

We are working with Hong Kong Exchanges and Clearing Limited (HKEX) on the conclusions to the joint consultation on proposed enhancements to The Stock Exchange of Hong Kong Limited's (SEHK) decision-making and governance structure for listing regulation. The conclusions will be published in due course.

IPO applications

Under the dual filing regime, we reviewed 86 new listing applications during the quarter, up 68.6% from 51 in the previous quarter and 21.1% from 71 in the same quarter last year. This was a new record high since the regime commenced in 2003.

GEM review and New Board proposal

Jointly, the SFC and SEHK conducted a holistic review of listing regulation including the Growth Enterprise Market (GEM). HKEX subsequently issued a consultation paper on a review of the GEM and changes to the GEM and Main Board Listing Rules on 16 June. The GEM review seeks to address structural issues affecting the alternative stock market and enhance the quality of GEM companies. The proposed

changes to the Listing Rules aim to ensure that there is a clear distinction between the Main Board and GEM, and to preserve the Main Board's position as a market for larger companies.

HKEX also issued a concept paper on the same day on a proposed New Board with two segments – New Board PREMIUM and New Board PRO.

Corporate regulation

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we felt it appropriate to issue section 179¹ directions in 11 cases to gather additional information. The underlying concerns were varied and included whether a corporate action had been conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

We exercised our power under sections 6 and 8 of the SMLR on two occasions. On 19 May, we served a notice under 6(2) of the SMLR to Asia Energy Logistics Group Limited that the SFC objected to the listing of its placing shares. On 6 June, we directed a trading suspension of the shares of Lerado Financial Group Company Limited pursuant to section 8(1) of the SMLR due to concerns that its 26 October 2015 circular in relation to an open offer included materially false, incomplete or misleading information.

Electronic disclosure of interests notices

Since 3 July when the mandatory electronic filing provisions under Part XV of the SFO commenced, disclosure of interests notices must be submitted via HKEX's electronic filing system. We conducted a training session on the new system in June for more than 250 members of The Hong Kong Institute of Chartered Secretaries.

¹ Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company.

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Takeovers Panel decision

The Takeovers Panel, in a written decision published on 10 May, ruled that a whitewash waiver should be made conditional on the outcome of the shareholder vote on a share buy-back offer announced by Television Broadcasts Limited (TVB) in January 2017, but that there would not be a separate vote on a whitewash waiver. The Takeovers Panel also agreed with the Takeovers Executive² that full disclosure should be made of the TVB shareholding and ownership structure

of Young Lion Holdings Limited, which together with its concert parties holds 29.9% of TVB's shares and could hold up to 41.2% of TVB's shares following the buy-back.

In May, TVB applied to the High Court of Hong Kong to commence judicial review of the panel's decision on the whitewash waiver.

Listing applications and takeovers activities

	Quarter ended 30.6.2017	Quarter ended 31.3.2017	Change (%)	Quarter ended 30.6.2016	YoY change (%)
Listing applications filed under the dual filing regime	86	51	68.6	71	21.1
Takeovers and share buy-back transactions	132	138	-4.3	113	16.8

² This refers to the Executive Director of the SFC's Corporate Finance Division or his delegate.