

Listings and takeovers

GEM review and New Board proposal

On 15 December, following approval by the SFC, Hong Kong Exchanges and Clearing Limited published conclusions to a consultation on the review of GEM and changes to GEM and Main Board Listing Rules. The changes, which took effect on 15 February 2018, include removing the streamlined process for GEM transfers to the Main Board; introducing a mandatory public offering requirement of at least 10% of the total offer size for all GEM initial public offerings (IPOs); increasing the minimum cash flow requirement for GEM applicants from \$20 million to \$30 million, and increasing the minimum market capitalisation of Main Board applicants at the time of listing from \$200 million to \$500 million.

On the same day, The Stock Exchange of Hong Kong Limited (SEHK) announced conclusions to the New Board Concept Paper published in June 2017. In response to market feedback, SEHK proposed that the existing listing regime should be expanded by introducing two new chapters to the Main Board Listing Rules to allow the listing of companies from emerging and innovative sectors, including biotechnology companies which are pre-profit or pre-revenue and companies with weighted voting rights structures.

IPO applications

We reviewed 40 new listing applications during the quarter, up 5.3% from 38 in the same quarter last year. The number of listing applications in the nine months from April to December was 236, up 22.3% compared to the same period in 2016.

During the quarter, we issued one “letter of mindedness to object” directly to a listing applicant¹. Four listing applications were returned² and an eight-week moratorium³ imposed because the respective application proofs were not substantially complete.

Corporate conduct

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. In six cases during the quarter, we felt it appropriate to issue section 179⁴ directions 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.

Takeovers matters

In December, we publicly censured Zhang Qiang for acquiring shares in Feishang Non-metal Materials Technology Limited within six months after the close of an offer at above the offer price in contravention of the Takeovers Code⁵.

Listings applications and takeovers activities

	Quarter ended 31.12.2017	Nine months ended 31.12.2017	Nine months ended 31.12.2016	YoY change (%)
Listings applications	40	236	193	22.3
Takeovers and share buy-back transactions	99	339	356	-4.8

¹ The SFC may object to a listing of securities based on one or more of the grounds set out in section 6(2) of the Securities and Futures (Stock Market Listing) Rules. A letter of mindedness to object sets out the SFC’s substantive concerns along with detailed reasons.

² One of the return decisions was subsequently overturned by the Listing Committee.

³ The applicant can only submit a new listing application with a new application proof more than eight weeks after the return.

⁴ Section 179 of the Securities and Futures Ordinance gives the SFC the power to compel the production of records and documents from persons related to a listed company.

⁵ The Code on Takeovers and Mergers.