

Corporates

We oversee listing and takeovers matters in Hong Kong, including takeovers and merger activities, vetting of listing applications, disclosure requirements, corporate conduct and the listing-related functions of the Stock Exchange of Hong Kong Limited (SEHK). We also review listing and takeovers policies to safeguard the interests of investors and promote the development of a fair and orderly securities market.

New policies broaden Hong Kong's appeal as a listing platform

Specialist technology companies

To further develop Hong Kong as a listing venue of choice, SEHK worked closely with the SFC on a new listing regime to facilitate the listing of specialist technology companies which may have limited or no revenue or profit track record. Following a two-month public consultation and the SFC's approval, SEHK published its consultation conclusions paper, together with the relevant Listing Rules amendments, on 24 March 2023. The new regime took effect on 31 March 2023.

Share schemes

Subsequent to our review of SEHK's performance in its regulation of listing matters in 2019, SEHK consulted the market in 2021 on proposals to enhance the disclosure of share schemes and provide issuers with greater flexibility to grant share options and share awards whilst protecting shareholders from excessive dilution. The consultation conclusions were issued in July 2022 and the amended rules took effect on 1 January 2023.



1 Including 180 new listing applications and 175 cases brought forward from the previous reporting period.

2 For the 166 cleared cases of listing applications.

3 Under section 6(2) of the SMLR, the SFC may object to a listing if it appears to the SFC that: (a) the listing application does not comply with SEHK's requirements or an applicable provision of law, or does not contain sufficient information to enable an investor to make an informed decision; (b) the application is false or misleading; (c) the applicant has failed to furnish information as may be reasonably required by the SFC under section 6(1) of the SMLR; or (d) it would not be in the interest of the investing public or in the public interest for the securities to be listed.

4 A SPAC raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.

5 Chapter 19C sets out the additional requirements, modifications or exceptions for companies that have, or are seeking, a secondary listing.



Mr Michael Duignan (left), Executive Director of Corporate Finance, at the Global Regulatory Forum 2022

Paperless listing regime

We are working closely with SEHK to reduce the use of paper in listing applications and post-listing corporate communications. In December 2022, SEHK published a consultation paper on expanding the paperless listing regime. The consultation period ended on 28 February 2023.

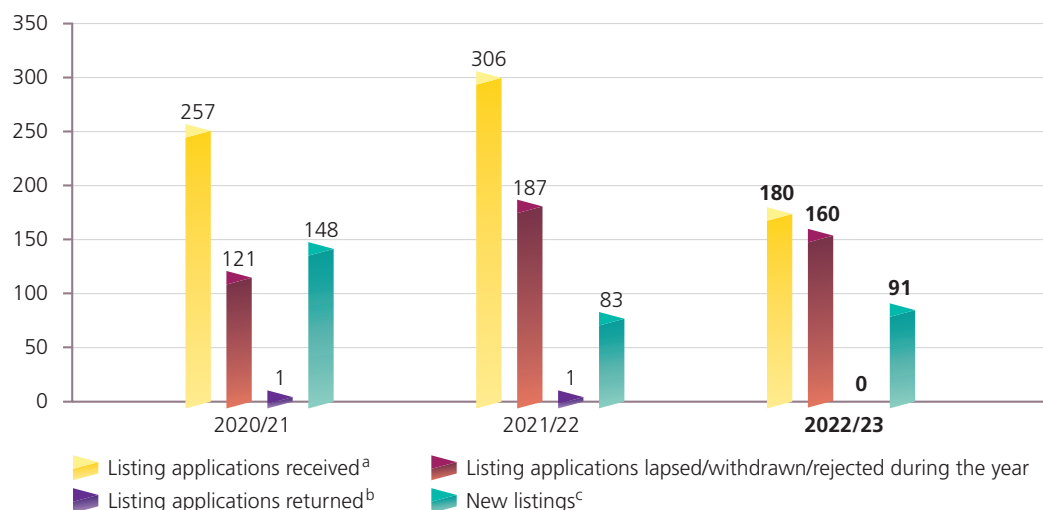
Vetting IPO applications for quality listings

We vet listing applications and make enquiries to determine whether a listing application gives rise to any concerns under the Securities and Futures (Stock Market Listing) Rules (SMLR). We may object to a listing of securities based on one or more of the grounds set out in section 6(2)³ of the SMLR.

We processed 355 listing applications during the year. This included 180 new listing applications, of which 19 were from pre-profit biotech companies and five from special purpose acquisition companies (SPACs)⁴. Three companies achieved secondary listings on the Main Board under Chapter 19C of the Listing Rules⁵ and seven overseas-listed companies achieved dual-primary listings on the Main Board. Four SPACs listed on the Main Board during the year.

Exercising our powers under SMLR, we issued requisition letters directly to seven listing applicants during the year (2021-22: 7). Amongst our concerns were the genuineness of the listing applicants' business and financial information

New listing applications



a Including applications for transfer from GEM to the Main Board (2022/23: 3; 2021/22: 3; 2020/21: 17).

b Listing applications were returned by SEHK because the application proofs or related documents were not substantially complete. The listing applicants can only submit a new listing application with a new application proof not less than eight weeks after the return.

c Including successful transfers from GEM to the Main Board (2022/23: 0; 2021/22: 3; 2020/21: 6). The Hang Seng Index closed at 20,400 on 31 March 2023 (31 March 2022: 21,996; 31 March 2021: 28,378).

and the accuracy and completeness of their disclosures. As at 31 March 2023, one of these listing applicants had satisfactorily addressed our concerns, one had left our concerns unaddressed and not proceeded to listing, and the remaining five were still ongoing but they had yet to satisfactorily address our concerns.

Addressing corporate misconduct

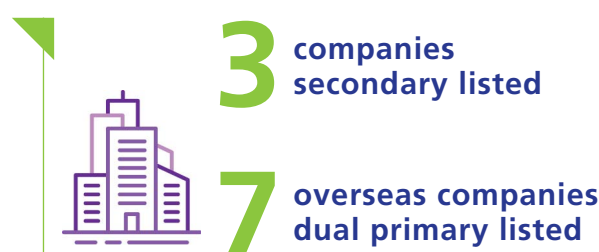
As part of our front-loaded approach to preventing corporate misconduct, we review corporate announcements daily to identify red flags and irregularities. During the year, we issued section 179⁶ directions to gather additional information in 43 cases and wrote to listed companies detailing our concerns in two cases where, for example, there were indications that a corporate action or transaction may be conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

Takeovers increasingly complex

The takeovers market in Hong Kong continues to mature with increasingly complex transaction structures, often involving novel issues. During the

year, the Takeovers and Mergers Panel met three times to consider novel, important or difficult points at issue and discuss policy matters relating to the Takeovers Code.

In August 2022, the Panel ruled that a special waiver from the general offer obligation may be granted to a company in a possible involuntary disposal of interest in Jinke Smart Services Group Company Limited which would lead to a change in the composition of the concert group.



⁶ 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.

Enhancing Hong Kong's status as a quality listing market

To enhance Hong Kong's competitiveness as a fund-raising platform, we worked with SEHK to introduce initiatives to attract listings of new economy companies and cement Hong Kong's status as a sustainable finance hub regionally and internationally.

New economy companies

A major focus in recent years has been to provide a regulatory framework for high quality new economy companies to list in Hong Kong to give investors a broader range of choices whilst safeguarding their interests and maintaining high standards of corporate governance. Key initiatives included the introduction in 2018 of a regulatory framework for innovative companies with a weighted voting rights (WVR) structure^a—making Hong Kong one of the first jurisdictions to regulate WVR listings—together with a new listing route for pre-revenue biotech companies.

Five years later, 22 WVR companies and 56 biotech companies have been primary or secondary listed in Hong Kong under the new listing regimes as of 31 March 2023, and these companies raised a total of \$506.6 billion, accounting for 35% of the total IPO funds raised during the period.

Following the 2018 reforms, SEHK introduced a new regime in 2023 to facilitate the listing of specialist technology companies in five industries^b covering a wide range of sectors such as artificial intelligence, electric and autonomous vehicles, robotics and automation. This new regime caters to the growing fund-raising demand from quality technology companies which are still primarily engaged in research and development. Although



there may be substantial investor interest at IPO, these companies may have limited or no revenue or profit track record.

Climate-related risks and sustainability

Globally, there is an increasing focus by issuers and investors on the potential risks and rewards associated with environmental, social and governance (ESG) issues and how they affect the values of companies. This has spurred demand for high-quality disclosure of ESG information.

In 2021, the International Sustainability Standards Board (ISSB) was formed to develop a comprehensive global baseline of corporate sustainability reporting standards. The ISSB is developing standards and guidance for how companies should report on climate-related risks and opportunities, including the potential impact on their business and financial performance.

To advance Hong Kong's position as a sustainable finance hub internationally and within the Asia-Pacific region, SEHK, working closely with us, launched a three-month public consultation in April 2023 on proposals, which make reference to the ISSB's exposure drafts, to mandate climate-related disclosures for listed companies in Hong Kong^c.

a Including concessions for qualifying overseas listed companies.

b The five industries include (i) next-generation information technology, (ii) advanced hardware and software, (iii) advanced materials, (iv) new energy and environmental protection, and (v) new food and agriculture technologies. Acceptable sectors falling within these industries are set out in a guidance letter published by SEHK.

c See Sustainability on pages 91-100.

Corporates

In a decision published in September 2022, the Panel ruled on the appropriate offer price for a mandatory general offer for Suncity Group Holdings Limited⁷ which was triggered as a result of the transfer of a controlling stake in Suncity.

For potential breaches of the Takeovers Code, we take disciplinary actions where appropriate. In April 2022, we publicly criticised Gao Yunhong and Feng Xuelian for breaching the non-frustrating action rules under the Takeovers Code for disposing material assets of Steering Holdings Limited during an offer period.

In October 2022, we publicly criticised Gold Dragon Worldwide Asset Management Limited for failing to make dealing disclosures in accordance with the Takeovers Code for share dealings in Shanghai Dongzheng Automotive Finance Co., Limited during an offer period.

In March 2023, we publicly criticised Cheung Chi Shing for failing to obtain regulatory approval before triggering a mandatory general offer for Styland Holdings Limited through his share acquisitions.

Takeovers activities

	2022/23	2021/22	2020/21
General and partial offers under Code on Takeovers and Mergers	33	45	38
Privatisations	11	21	31
Whitewash waiver applications	22	22	33
Other applications under Code on Takeovers and Mergers [^]	231	291	361
Off-market and general offer share buy-backs	7	5	5
Other applications under Code on Share Buy-backs [^]	1	1	1
Total	305	385	469

[^] Including stand-alone applications and those made during the course of a Code-related transaction.

Note: Also see Table 1 in Operational Data on page 176 for more details.

⁷ Now known as LET Group Holdings Limited.

