

Corporates

Our oversight of listing and takeovers matters in Hong Kong comprises vetting of listing applications, overseeing takeovers and mergers activities, monitoring corporate disclosures and conduct as well as supervising the Stock Exchange of Hong Kong Limited's (SEHK) listing-related functions. We also review listing and takeovers policies to safeguard investors' interests and promote the development of a fair and orderly market.

Developing Hong Kong as a premier listing platform

Launching new treasury shares regime

Working together with the SFC, SEHK launched a two-month consultation in October 2023 on introducing a listing regime governing treasury shares. Under the proposed regime, the Listing Rules requirement to cancel repurchased shares will be removed, ie, listed issuers will be able to retain their repurchased shares in treasury. To deter market manipulation, SEHK proposed to introduce safeguards to govern the resale of treasury shares. With the SFC's approval, SEHK published the consultation conclusions in April 2024 and the new Listing Rules became effective in June.

Aligning requirements for Mainland enterprises' overseas listings

SEHK consulted the public on proposed amendments to the Listing Rules to reflect changes in Mainland China's regulations and to align the requirements for Mainland-incorporated issuers with those applicable to other issuers. This was in response to the China Securities Regulatory Commission's (CSRC) new requirement¹ for Mainland enterprises' overseas listings and securities offerings. With the SFC's approval of the new rules, SEHK published the consultation conclusions in July 2023, and the new rules took effect on 1 August.



Mr Michael Duignan, Executive Director of Corporate Finance, at the 24th Annual Corporate and Regulatory Update

Reviewing GEM listing regime

With the SFC's approval, SEHK's GEM listing reforms became effective on 1 January 2024. The new rules introduced a new route for GEM listings and a streamlined mechanism enabling eligible GEM issuers to transfer to the Main Board. In addition, GEM issuers are no longer required to announce their quarterly results.

Facilitating international listings

Following discussions with the SFC, SEHK added the main markets of the Saudi Exchange and the Indonesia Stock Exchange to the list of recognised stock exchanges in September and November 2023. The additions enable Saudi- and Indonesia-listed companies that meet the Main Board's initial listing criteria to apply for secondary listing in Hong Kong.

Reviewing SEHK's listing-related work

In July 2023, we published a report on our review of SEHK's performance in its regulation of listing matters during 2021 and identified areas to enhance its performance. We examined SEHK's performance in reviewing business valuations for large acquisitions and

¹ The new CSRC requirement (the "Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies" and related guidelines), which took effect in March 2023, requires Mainland enterprises to register their direct and indirect overseas listings and securities offerings with the CSRC. The former regulations for overseas listings (the "Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies" and the "Mandatory Provisions for the Articles of Association of Companies Listing Overseas") were repealed.

disposals, its administration of the Placing Guidelines for initial public offerings (IPO) and its review of IPO placee lists. We also looked into the processes of its Listing Operation Governance Committee, the Listing Compliance function as well as the management of its Listing Committee members' conflicts of interest.

Updating listing guidance materials

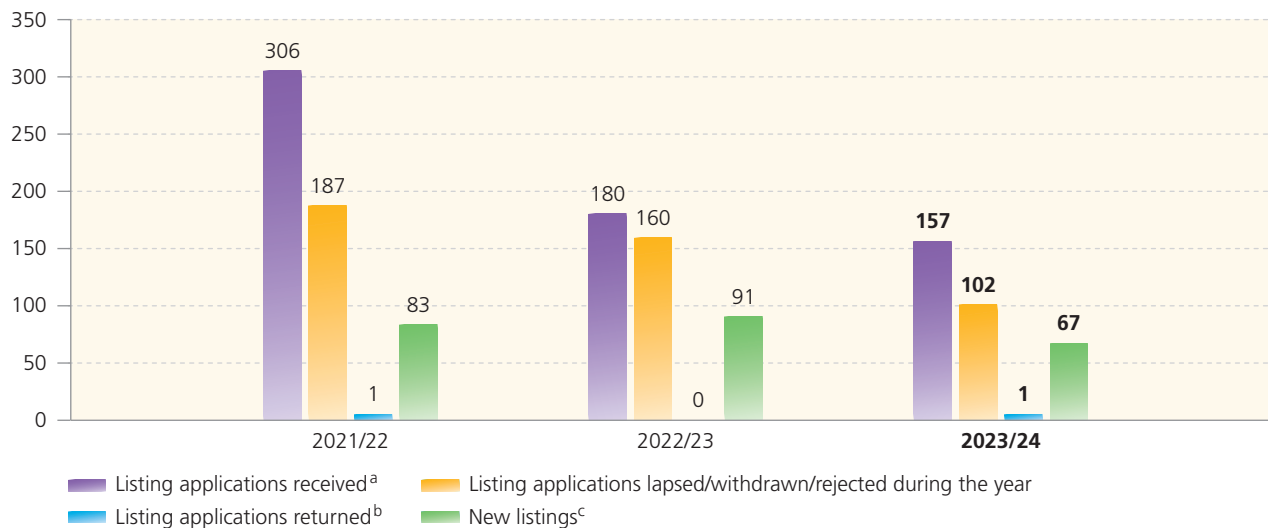
To assist listing applicants and their advisers to better understand the Listing Rules and related requirements, we have been working closely with SEHK to streamline the listing guidance. In November 2023, SEHK published the Guide for New Listing Applicants, which consolidated and streamlined all IPO-related guidance letters and relevant listing decisions into a single guide.



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 based on one or more of the grounds set out in section 6(2)⁴ of the SMLR.

New listing applications



^a Including applications for transfer from GEM to the Main Board (2023/24: 1; 2022/23: 3; 2021/22: 3).

^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 (2023/24: 3; 2022/23: 0; 2021/22: 3). The Hang Seng Index closed at 16,541 on 31 March 2024 (31 March 2023: 20,400; 31 March 2022: 21,996).

² Including 157 new listing applications and 104 cases brought forward from the previous reporting period.

³ For the 129 listing applications we cleared.

⁴ 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.

We processed 261 listing applications during the year. These included 157 new listing applications⁵, including applications from three companies with a weighted voting rights (WVR) structure, 14 pre-profit biotech companies, one special purpose acquisition company (SPAC)⁶, two companies seeking listing by way of de-SPAC transactions⁷ and two specialist technology companies. One overseas-listed company achieved dual-primary listing on the Main Board.

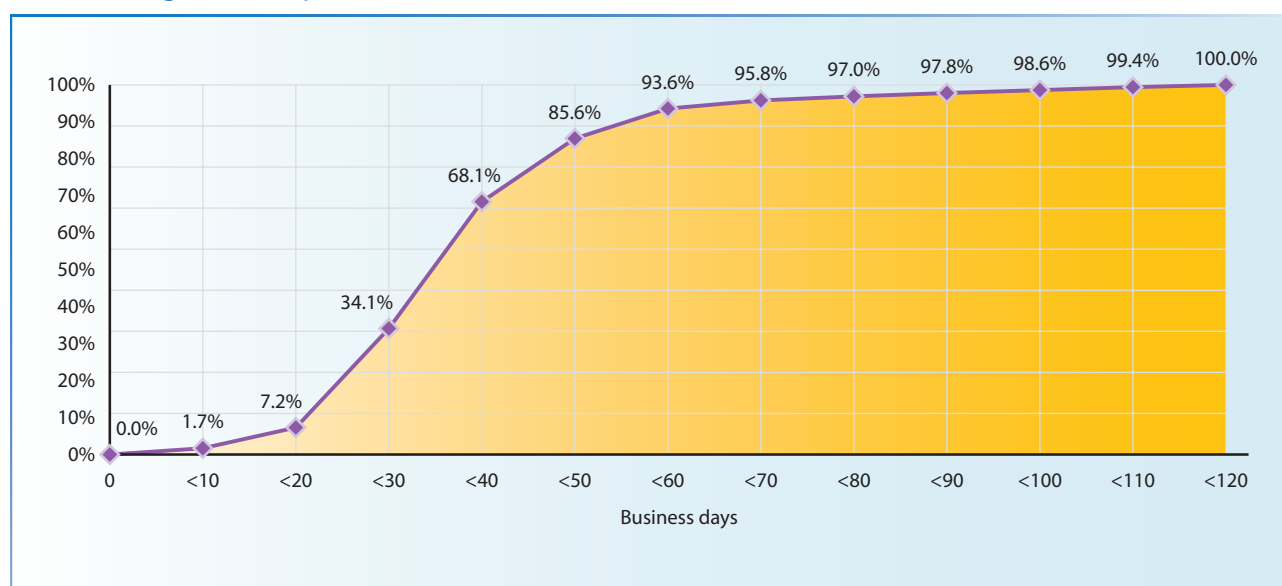
Exercising our powers under the SMLR, we issued requisition letters directly to three listing applicants during the year (2022-23: seven). Amongst our concerns were the accuracy and completeness of their disclosures regarding business arrangements, taxation matters or financial performance. As at 31 March 2024, two of these listing applicants had satisfactorily addressed our concerns, while the enquiry regarding the remaining applicant was still ongoing.

During the three years ended 31 March 2024, we cleared 361 cases, 94% of which were cleared within 60 business days. During the year ended 31 March 2024, we cleared 129 listing applications, 97% of which were cleared within 60 business days. The average processing time for the 129 cleared cases was 101 business days⁸, down 18% from last year.

Tackling corporate misconduct

As part of our front-loaded approach in preventing corporate misconduct, we review corporate announcements daily to identify potential misconduct and irregularities. During the year, we issued section 179⁹ directions to gather additional information in a total of 39 cases. In some of these cases, there were indications that the corporate action or transaction may have been conducted in an oppressive or unfairly prejudicial manner for shareholders.

SFC vetting time (April 2021 to March 2024)



Note: In the chart, “SFC vetting time” refers to the total number of business days we spent to process and clear a listing application, which includes a number of rounds of comments. The figure excludes the response time of the listing applicants or their advisers.

⁵ New listing applications include any renewal application filed by the same applicant where its previous application has lapsed by more than 14 days.
⁶ 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.
⁷ Including one company with a WVR structure.
⁸ Including the SFC’s vetting time and the response time of the listing applicants or their advisers.
⁹ 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 regulation of takeovers and share buy-backs

We launched a five-week consultation on proposed amendments to the Codes on Takeovers and Mergers and Share buy-backs (Codes) in May 2023. This followed a review conducted by the Takeovers Executive in consultation with the Takeovers and Mergers Panel. We proposed clarifying a number of important terms and provisions, streamlining processes

and introducing green initiatives. Our proposals were welcomed by the market and all were adopted with only minor modifications.

We published our consultation conclusions in September 2023, and the revised Codes took effect in the same month. Changes were also made to a number of our Practice Notes to guide the market on our latest revisions and practice.

Takeovers activities

	2023/24	2022/23	2021/22
General and partial offers under Code on Takeovers and Mergers	32	33	45
Privatisations	17	11	21
Whitewash waiver applications	21	22	22
Other applications under Code on Takeovers and Mergers [^]	240	231	291
Off-market and general offer share buy-backs	7	7	5
Other applications under Code on Share Buy-backs [^]	0	1	1
Total	317	305	385

[^] 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 207 for more details.