

Operational Review

Corporates

Listing regulation

Main Board profit requirement

To strengthen Hong Kong's position as an international financial centre, we work with the Stock Exchange of Hong Kong Limited (SEHK) to regularly review listing policies. SEHK published the conclusions to its consultation on increasing the minimum profit requirement for new listings on the Main Board in May. The new profit thresholds will take effect on 1 January 2022.

Misconduct related to new listings

Also in May, we and SEHK published a joint statement on our efforts to combat misconduct and improper behaviour related to new listings through heightened scrutiny of listing applications with red flags which indicate a lack of genuine investor interest. When necessary, we will use our regulatory powers to object to or reject an application.

SEHK's disciplinary powers and sanctions

Following our recommendation, SEHK consulted on proposals to enhance its disciplinary powers and sanctions. The consultation conclusions were published

in May. New rules which came into effect on 3 July 2021 strengthen SEHK's ability to hold directors and other individuals accountable for misconduct and rule breaches.

Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 120 new listing applications, including five from companies with a weighted voting rights structure and 14 from pre-profit biotech companies. One company achieved secondary listing on the Main Board under Chapter 19C of the Listing Rules¹.

Exercising our powers under the Securities and Futures (Stock Market Listing) Rules, we issued one requisition letter directly to a listing applicant during the quarter. Amongst our concerns were the credibility of the sponsor's submission and the sufficiency of the independent due diligence performed by the sponsor.

Corporate conduct

We conduct daily reviews of corporate announcements to identify potential misconduct and irregularities. During the quarter, we issued section 179² directions to gather additional information in 28 cases and wrote to listed issuers detailing our concerns in one case. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

¹ Chapter 19C sets out the additional requirements, modifications or exceptions for companies that have, or are seeking, a secondary listing.

² 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.

Corporates

Listing applications and takeovers activities

	Quarter ended 30.6.2021	Quarter ended 31.3.2021	Change (%)	Quarter ended 30.6.2020	YoY change (%)
Listing applications	120	80	50	82	46.3
Takeovers and share buy-backs transactions	110	122	-9.8	111	-0.9