

Operational Review



Corporates

Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 61 new listing applications, including two from companies with a weighted voting rights structure and seven from pre-profit biotech companies. Five companies achieved secondary listings 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 letter of concern and three requisition letters directly to listing applicants during the quarter. Amongst our concerns were the accuracy and completeness of the information submitted, legal and regulatory compliance issues and the genuineness of the financial information in the prospectus.

Corporate Conduct

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we issued section 179² directions to gather additional information in 17 cases and wrote to detail our concerns in one transaction. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

Review of SEHK's work

In July, we published a report on our review of the performance of The Stock Exchange of Hong Kong Limited (SEHK) in its regulation of listing matters during 2018, which identified a number of areas for SEHK to enhance its performance. We reviewed the management of potential conflicts of interest by Hong Kong Exchanges and Clearing Limited (HKEX), the interaction between the Listing Department and HKEX's business units in pre-initial public offering enquiries, oversight of the Listing Department and the Listing Committee's supervisory role. We also examined SEHK's handling of share option schemes³ and complaints about listing applicants and issuers.

SEHK's disciplinary powers

Following our recommendation, SEHK published a consultation paper in August on proposals to enhance its disciplinary powers and sanctions. The proposed changes would strengthen SEHK's ability to hold directors and other individuals accountable for misconduct and rule breaches.

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.

³ Under Chapter 17 of the Listing Rules.

Corporates

Debt market

Together with SEHK, we regularly review the debt capital market regime. SEHK published consultation conclusions in August on changes to the listing regime for debt issues to professional investors only⁴, including raising the net asset requirements for issuers and the minimum issuance size.

Takeovers matters

On 16 September, we commenced disciplinary proceedings before the Takeovers Panel against Ngai Lai Ha, the chairperson of International Housewares Retail

Company Limited. We identified 13 share acquisitions by Ngai during the period from March to May 2019 which in each instance triggered an obligation to make a mandatory general offer. The proceedings were discontinued when we censured and imposed an 18-month cold-shoulder order against Ngai on 2 November.

To streamline the submission and publication process, documents required to be put on display under the Takeovers Code are required to be submitted electronically via the SFC's online portal beginning 5 October.

Listing applications and takeovers activities

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
Listing applications	61	143	191	-25.1
Takeovers and share buy-backs transactions	114	225	192	17.2

⁴ Chapter 37 of the Main Board Rules - "Debt Issues to Professional Investors Only".