

# Corporates

## Review structure for Listing Committee decisions

Following discussions with the SFC, The Stock Exchange of Hong Kong Limited (SEHK) issued conclusions to its consultation on the review structure for Listing Committee decisions in January 2019. To promote transparency and accountability in decision-making, SEHK concluded that significant Listing Committee decisions will be subject to one level of review. A new independent committee, the Listing Review Committee, will be established to replace the existing Listing (Review) Committee and Listing (Disciplinary Review) Committee. In addition, the Listing Appeals Committee will be discontinued. All decisions on non-disciplinary matters made by the new Listing Review Committee will be published. The new regime is expected to take effect in mid-2019.

## Review of SEHK's work

In December, we published a report on our review of SEHK's performance in its regulation of listing matters during 2016 and 2017. We reviewed the Listing Department's operations, processes and procedures, focusing on SEHK's vetting of initial public offering applications and suitability for listing, the regulation of reverse takeover transactions, the handling of disclaimer audit opinions as well as its policy on listing enforcement. The report identified a number of areas for SEHK to enhance its performance.

## Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 68 new listing applications, up 70% from 40 in the same quarter last year. The number of listing applications in the nine months from April to December was 310, up 31.4% year-on-year.

During the quarter, we received two listing applications from pre-profit biotech companies. We also issued one letter of mindedness to object directly to a listing applicant<sup>1</sup> in the period.

## 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 179<sup>2</sup> directions to gather additional information in 24 cases and wrote to detail our concerns in 13 transactions. These concerns included, for example, whether a corporate action or transaction was being conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

## Takeovers matters

In December, we introduced a new Practice Note 22 which provides guidance on the interpretation of material contracts under the Takeovers Code requirements. All contracts relating to discloseable transactions under the Listing Rules should normally be treated as material contracts for the purposes of the Takeovers Code. This requirement facilitates transparency and assists shareholders in reaching an informed decision about an offer.

## Listing applications and takeovers activities

	Quarter ended 31.12.2018	Nine months ended 31.12.2018	Nine months ended 31.12.2017	YoY change (%)
Listing applications	68	310	236	31.4
Takeovers and share buy-backs transactions	93	285	339	-15.9

<sup>1</sup> 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 our substantive concerns along with detailed reasons.

<sup>2</sup> 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.