

Operational Review

Corporates

Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 86 new listing applications.

We received one listing application from a company with a weighted voting rights structure and four listing applications from pre-profit biotech companies in the quarter.

Corporate conduct

We conduct daily reviews of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we issued section 179¹ directions to gather additional information in 15 cases and wrote to detail our concerns in four transactions. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

We issued a statement on 4 July outlining recurring misconduct in corporate acquisitions and disposals which has prompted intervention by the SFC. The statement reminds directors and their advisers to comply with their statutory and other legal duties when evaluating or approving the acquisition or disposal of a company or business.

On 26 July, we published a statement explaining our general approach to tackle backdoor listings and shell activities. We take the facts and circumstances of each case into consideration before deciding whether to exercise our statutory powers². This includes whether there are any red flags indicating a possible scheme designed to mislead regulators or the investing public or to circumvent applicable rules.

¹ 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.

² Either our powers of investigation under the Securities and Futures Ordinance or our powers under the Securities and Futures (Stock Market Listing) Rules.

Listing applications and takeovers activities

	Quarter ended 30.9.2019	Six months ended 30.9.2019	Six months ended 30.9.2018	YoY change (%)
Listing applications	86	191	242	-21.1
Takeovers and share buy-backs transactions	89	192	192	0

Takeovers matters

In a decision published in October, the Takeovers and Mergers Panel ruled that Broadford Global Limited was not allowed to deduct the final dividend approved by shareholders of Dalian Port (PDA) Company Limited from its offer price in a possible mandatory general offer. The Panel considered that readers of the offer announcement would have expected Dalian Port’s shareholders to receive the full offer price.

In July, the Panel ruled that a waiver of the general offer obligation under the Takeovers Code should not be granted to China Baowu Steel Group Corporation Limited if it proceeds with the proposed acquisition of

a 51% interest in Magang (Group) Holding Company Limited — the controlling shareholder of Maanshan Iron & Steel Company Limited — at nil consideration³.

Also in July, we publicly criticised CM Asset Management (Hongkong) Company Limited for failing to disclose dealings in the shares of Mengke Holdings Limited⁴ during an offer period as required by the Takeovers Code.

³ Upon completion of the proposed transaction, China Baowu would trigger a mandatory general offer for Maanshan Iron & Steel Company Limited under the “chain principle” unless a waiver is obtained.

⁴ Now known as Champion Alliance International Holdings Limited.