



Hong Kong Exchange Publishes Conclusions on Delisting Consultation

IN SHORT

The Situation: While a trading suspension gives an issuer an opportunity to remedy the underlying issues that led to the suspension with a view towards trading resumption, the absence of a mechanism under Hong Kong's current regulatory framework to effectively prevent prolonged suspensions deprives shareholders of the ability to trade securities and prevents proper functioning of the market.

The Development: The Hong Kong Stock Exchange proposes a more effective delisting framework that facilitates timely delisting of issuers that no longer meet the continued listing criteria and provides certainty to the market on the delisting process.

Looking Ahead: The new proposals will incentivize the existing issuers to observe the relevant listing rules, thereby reduce the number and duration of prolonged suspensions of trading in issuers' listed securities.

On May 25, 2018, The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") announced the consultation conclusions to its Consultation Paper on Delisting and Other Rule Amendments published on September 22, 2017 ("Consultation Conclusions"). The Consultation Conclusions set out the proposals by the Hong Kong Stock Exchange to improve the effectiveness of the delisting framework under the Main Board Listing Rules ("MB Rules") and the GEM Listing Rules ("GEM Rules") (collectively, "Listing Rules"), which address the issue of prolonged suspension of trading in issuers' listed securities. The newly amended Listing Rules will take effect from August 1, 2018 ("Effective Date").

Major Amendments to the Listing Rules Under the New Delisting Framework

The changes to the MB Rules include the following:

- Adding a separate fixed period delisting criterion that allows the Hong Kong Stock Exchange to delist an issuer after its continuous suspension of 18 months;
- Allowing the Hong Kong Stock Exchange to (i) publish a delisting notice and specify a period within which the issuer may remedy the issues or be delisted, or (ii) delist the issuer immediately in appropriate circumstances; and
- Removing Practice Note 17 that sets out a three-stage delisting procedure for issuers without sufficient operations or assets, as the new delisting process will equally apply to those issuers.

The changes to the GEM Rules include the following:

- Adding a separate fixed period delisting criterion that allows the Hong Kong Stock Exchange to delist an issuer after its continuous suspension of 12 months; and
- Allowing the Hong Kong Stock Exchange to (i) publish a delisting notice and specify a period within which the issuer may remedy the issues or be delisted, or (ii) delist the issuer immediately in appropriate circumstances.

Transitional Arrangements to Facilitate the Amendments

Transitional arrangements are provided for issuers whose securities are under a trading suspension immediately before the Effective Date.

The current Practice Note 17 continues to apply for issuers placed in a delisting stage under that Practice Note. For issuers subject to a decision to commence the procedures to cancel a listing and a notice period for delisting, MB Rules or GEM Rules, where appropriate, will continue to apply. Other Main Board issuers with their securities continuously suspended for 12 months or more may be delisted if they fail to resume trading within 12 months from the Effective Date. All other Main Board issuers, and all GEM issuers regardless of their suspension duration, will be subject to the new Listing Rules.

TRANSITIONAL ARRANGEMENTS FOR ISSUERS WHOSE SECURITIES ARE UNDER A TRADING SUSPENSION IMMEDIATELY BEFORE AUGUST 1, 2018

Categories of Suspended Issuers	Main Board	GEM Board
Issuer placed in a delisting stage under Practice Note 17	Practice Note 17 continues to apply	N/A
Issuer subject to a decision to commence delisting procedures and a notice period for delisting	Such decision and notice period continue to have effect on the issuer concerned, notwithstanding that the actual cancellation of listing has not taken place as of August 1, 2018	Such decision and notice period continue to have effect on the issuer concerned, notwithstanding that the actual cancellation of listing has not taken place as of August 1, 2018
Issuer not subject to a decision to commence delisting procedures and a notice period for delisting	<p>Issuer with securities continuously suspended for less than 12 months will be delisted if it fails to resume trading within 18 months from August 1, 2018</p> <p>Issuer with securities continuously suspended for 12 months or more will be delisted if it fails to resume trading within 12 months from August 1, 2018</p>	Issuer will be delisted if it fails to resume trading within 12 months from August 1, 2018

Amendments to Trading Suspensions and Related Requirements

There are other amendments to the Listing Rules in the interest of keeping trading suspension to the shortest possible duration, which include the following:

- Removing the bright-line trading halt requirements that specify that trading suspension is required for failure to announce an agreement about a share or a major transaction, or a very substantial disposal or acquisition, or a reverse takeover, and that an immediate application for a trading halt or a suspension is required following the signing of an agreement in respect of a notifiable transaction; and
- Expediting the process for the Hong Kong Stock Exchange directing resumption of trading by requiring the submission of any review application (with written reasons) by the issuer within five business days of a decision to direct resumption.

THREE KEY TAKEAWAYS

1. A separate delisting criterion will allow the Hong Kong Stock Exchange to delist an issuer after its continuous suspension of 18 months for the Main Board or 12 months for the GEM Board.
2. The delisting process is streamlined by allowing the Hong Kong Stock Exchange to (i) publish a delisting notice and specify a period for the issuer to remedy the issues or be delisted, or (ii) delist the issuer immediately in exceptional circumstances.
3. The Hong Kong Stock Exchange is taking steps to simplify the rules in relation to trading suspension and to expedite trading resumption process.



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