



## Trading halt, suspension and cancellation of GEM listing and trading

### Trading halt and suspension

Rules 9.03-9.13 of the GEM Rules regulate the suspension and trading halt of listed issuers. Similar provisions can be found under the Main Board Rules 6.02 to 6.07.

The principle is that, though share trading suspensions may be necessary to protect investors or maintain an orderly market, the Exchange expects issuers to avoid share trading suspensions to the extent possible by planning their affairs properly. Issuers should also try to keep any suspension period as short as reasonably possible.

Any request for a trading halt or suspension must be made to the Listing Division of Exchange by phone to be followed by a formal letter by the issuer's authorized representative, a responsible officer, Compliance Adviser, financial adviser or legal adviser. The formal letter may not need to be delivered to the Listing Division at the time of the initial request if the circumstances are exceptionally urgent.

Reasons for the trading halt or suspension should be given and explain why an announcement cannot or could not have been issued to avoid it. A request based solely on a wish that the information should be allowed time to disseminate more widely will not be accepted by the Exchange.

An issuer shall try its best to avoid any trading halt or suspension of dealings in its securities. If the issuer thinks that a trading halt or suspension cannot be avoided, it should contact the Exchange at the earliest practicable opportunity.

A suspension request will normally be acceded to in the following circumstances:

- an issuer is subject to an offer but only where terms have been agreed in principle and require discussion with and agreement by one or more major shareholders. Suspensions will only normally be appropriate where no previous announcement has been made; in other cases, either the details of the offer should be announced, or if this is not yet possible, a 'warning' announcement indicating that the issuer is in discussions which could lead to an offer, should be issued, without recourse to a suspension
- to maintain an orderly market
- certain levels of notifiable or connected transaction, such as substantial changes in the nature, control or structure of an issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required
- where an issuer is no longer suitable for listing or becomes a 'cash' company
- where an issuer is going into receivership or liquidation
- where an issuer confirms that it will be unable to meet its obligation to disclose periodic financial information in accordance with the Exchange Listing Rules
- for a reason acceptable to the Exchange, inside information cannot at that time be disclosed

An issuer must try its best to ensure that any request for suspension is made outside the Exchange trading hours (and as early as is practicable before the commencement of the next half-day trading session on GEM). When dealings have been halted or suspended, the issuer must publish an announcement stating the reason(s) for it and if it is halted or suspended at the request of the issuer, the known or anticipated timing of the lifting of the trading halt or suspension.



A guidance letter on trading halts (HKEx-GL83-15) was published on 11 December 2015 to clarify this practice:

An issuer must voluntarily apply for a trading halt as soon as reasonably practicable in the following circumstances:

1. it has information which must be disclosed to avoid, in the opinion of the HKEx, a false market; or
2. it reasonably believes that there is Inside Information which must be disclosed under the Part XIVA of the Securities and Futures Ordinance ("SFO"); or
3. circumstances exist where it reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of certain inside information.

In the guidance letter, issuers are reminded to avoid and minimize trading halts by adhering to the following practices:

1. Issuers should plan their affairs so that a trading halt can be avoided and/or any halt can be kept as short as is reasonably possible;
2. Issuers should ensure that trading of their securities resume as soon as practicable following the publication of an announcement or when the reasons for the trading halt no longer apply;
3. Issuers should sign significant agreements only outside, but not during, trading hours and prepare their announcements ahead of signing of agreements, such that the announcements can be released immediately after agreements are signed, since announcements containing Inside Information can only be published outside trading hours;
4. Issuers should seek early consultations with, or regulatory clearance from, the HKEx, in respect of complicated transactions for which announcements require pre-vetting by the HKEx, and such consultation should take place before the signing of a significant agreement to avoid/ minimize the duration of any trading halt;
5. Issuers should ensure that the information in transaction announcements is clearly presented in plain language and contain information required under the Listing Rules and other applicable regulations, as unnecessary lengthy disclosures may result in delaying the release of the announcement and prolong the trading halt; and
6. Issuers should publish the announcement and resume trading as soon as possible, when trading is halted pending an announcement of a transaction.

Guidance letter GL87-16 provides guidance to listed companies which become subjects of market commentaries or rumours with allegation of fraud, material accounting or corporate governance irregularities. Under these circumstances, the Exchange may make an enquiry. If the Exchange thinks that the allegation may have an effect on the share price of the listed companies, the listed companies must make a clarification announcement promptly and if not, the listed companies must apply for a trading halt.



## Cancellation and withdrawal of listing

An issuer may voluntarily withdraw its listing on the Exchange in the following situations:

- for an issuer whose primary listing is on the Exchange and which has an alternative listing on another regulated stock exchange, it has obtained the prior approval of shareholders and holders of any other class of listed securities, if applicable, by way of an ordinary resolution and has given its shareholders and holders of any other class of listed securities, if applicable, at least three months' notice of the proposed withdrawal of the listing
- for an issuer which has no alternative listing, it has obtained the prior approval of its shareholders and holders of any other class of listed securities, if applicable, with at least 75% votes in favour and no more than 10% vote against and the shareholders and holders of any other class of listed securities, if applicable, other than the directors (excluding independent non-executive directors), chief executive and controlling shareholders, are offered a reasonable cash alternative or other reasonable alternative
- after a general offer, a right to compulsory acquisition is exercised resulting in the acquisition of all the listed securities of the issuer, provided that it has given its shareholders notice of the proposed withdrawal of the listing by way of an announcement and stated in the circular its intention not to retain the issuer's listing on the Exchange
- the issuer is privatised by way of a scheme of arrangement or capital reorganization which is governed by and in compliance with the SFC's Code on Takeovers and Mergers and Share Buy-backs and all the relevant requirements, provided that it has given its shareholders notice of the proposed withdrawal of the listing by way of an announcement and stated in the circular its intention not to retain the issuer's listing on the Exchange

For Main Board issuers, the Exchange has powers to direct the cancellation of listing if:

- the Exchange considers there are insufficient securities in the hands of the public;
- the Exchange considers that the issuer does not have a sufficient level of operations or assets to warrant the continued listing of the issuer's securities; or
- the Exchange considers that the issuer or its business is no longer suitable for listing

For GEM issuers, the Exchange has powers to direct the cancellation of listing in certain circumstances including but not limited to the following circumstances:

- the issuer goes into receivership or liquidation;
- the Exchange considers that there are insufficient securities in the hands of the public;
- the Exchange considers that the issuer does not have a sufficient level of operations or assets to warrant the continued listing of the issuer's securities;
- the Exchange considers that the issuer or its business is no longer suitable for listing;
- the integrity and reputation of the market has been or may be impaired by dealings in the issuer's securities;
- there are unexplained unusual movements in the price or trading volume of the issuer's listed securities or a false market for the trading of the issuer's securities has or may have developed and the issuer's authorized representative cannot immediately be contacted to confirm that the issuer is not aware of any matter or development that is or may be relevant to the above phenomenon or the issuer delays in issuing an announcement in the form required under GEM Rules 17.11; or
- there is uneven dissemination or leakage of inside information in the market giving rise to unusual movement in the price or trading volume of the issuer's listed securities.





For points 1 and 2, the issuer has to issue an announcement on receiving the above notice from the Exchange and another announcement on the expiry of any period specified by the Exchange to remedy those matters that may give rise to cancellation of listing. The Exchange will suspend dealings in the issuer's securities. If the issuer fails to remedy those matters within the specified period, the Exchange will cancel the listing. The Exchange may treat any proposal to remedy the matter above as if it was a new applicant for listing.

Suspended issuers will be required to announce quarterly updates regarding developments and progress on satisfying resumption conditions. A suspended issuer will remain obliged to disclose inside information under the Securities and Futures Ordinance (Cap 571) (SFO) and the Listing Rules.

## **Resumption**

Under the Guidance Letter HKEx-GL95-18, an issuer will be expected to take the following steps to achieve resumption:

1. consider setting up an independent committee to review the matter if a director is suspected of being involved;
2. engage forensic accountants to investigate the matter if it concerns fraudulent activities. The findings should be reviewed and addressed by the board or an independent committee;
3. engage independent control system experts to review the internal control system and identify material weaknesses with remedial actions if the matter concerns the adequacy of the internal control system. The experts' findings should be reviewed and addressed by the board or an independent committee; and
4. if the failure to publish financial results stems from unresolved audit issues, consult the auditors on ways to resolve such issues. Replacement should be sought immediately if the auditors have resigned.

## **Transitional Arrangements**

The fixed period delisting criterion mentioned above only became effective after the Listing Rules amendments on 1 August 2018.

For Main Board issuers whose securities have been suspended continuously before 1 August 2018 (the Effective Date):

1. Practice Note 17 will continue to apply to issuers at the first, second and third stage of delisting under that practice note;
2. For issuers suspended for less than 12 months at the Effective Date, the 18-month period will commence immediately from the Effective Date; and
3. For issuers suspended for 12 months or more at the Effective Date, the 18-month period will be deemed to have commenced 6 months before the Effective Date.

For GEM issuers suspended as at the Effective Date, the fixed period will commence from the Effective Date. A decision of HKEx and any notice period for delisting that has already been imposed on an issuer and has commenced will continue to apply.