

# The Stock Exchange of Hong Kong Limited

## Practice Note 11

to the Rules Governing the Listing of Securities  
(the "Exchange Listing Rules")

Issued pursuant to rule 1.06 of the Exchange Listing Rules

### TRADING HALT, SUSPENSION AND RESTORATION OF DEALINGS

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#### 1. Definitions

Terms used in this Practice Note which are defined or interpreted in the Exchange Listing Rules shall have the same meaning as in the Exchange Listing Rules.

#### 2. Requests for trading halt or suspension

Any request for trading halt or suspension of trading should be directed to the Listing Division of the Exchange. It will only be considered when it is received directly from the issuer's authorised representative or some other responsible officer, or from a recognised and authorised merchant bank, financial advisor or sponsor, or a member firm acting in either of those capacities. The Listing Division may request confirmation of the authority of the person requesting the trading halt or suspension. A formal letter supporting the request will be required, although because of time factors, this need not be delivered to the Listing Division when the initial request is made.

Issuers should not delay in contacting the Listing Division where it is felt a trading halt or suspension might be appropriate. However, full reasons supporting a request will be required before the Listing Division, or if necessary the Listing Committee, will give the request consideration.

#### 3. Grounds for trading halt

A request for a trading halt will normally only be acceded to where the situation falls within rules 13.10A and/or 14.37.

The Exchange reserves the right to direct a trading halt without a request and will not hesitate to do so, if, in its judgement, this is in the best interest of the market and investors in general. Instances which are likely to give rise to the Exchange directing a trading halt without a request include, but are not limited to, those set out above and the following:

- unexplained unusual movements in the price or trading volume of the issuer's listed securities or where a false market for the trading of the issuer's securities has or may have developed where the issuer's authorised 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 unusual price movement or trading volume of its listed securities or the development of a false market, or where the issuer delays in issuing an announcement in the form required under rule 13.10 and where applicable, under the heading "Response to enquiries" in the relevant listing agreements;
- uneven dissemination or leakage of inside information in the market giving rise to an unusual movement in the price or trading volume of the issuer's listed securities.

### **3A. Grounds for suspension**

A suspension request (other than a trading halt) will normally only be acceded to in the following circumstances:

- where 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 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.

### **4. Restoration of dealings**

In the interests of a fair and continuous market, the Exchange requires a trading halt or suspension period to be kept as short as is reasonably possible. This means that an issuer must publish an appropriate announcement as soon as possible after the trading halt or suspension arises. Under normal circumstances, the Exchange will restore dealings as

soon as possible following publication of an appropriate announcement, or after specific requirements have been met. Failure by an issuer to make an announcement when required, may, if the Exchange feels it to be appropriate, result in the Exchange issuing its own announcement and a restoration of dealings without an announcement by the issuer.

The Exchange re-emphasises the importance of proper security within an issuer, and the responsibility of the directors to ensure a proper and timely disclosure of all information necessary to investors to establish a fair and realistic valuation of securities traded in the market.

## **5. Disclosure of information**

The Exchange is also concerned to ensure issuers' proper and timely disclosure of information. It condemns the practice of allowing information to leak before its announcement to 'test' the market, or to affect the price of the relevant security before details of a proposal are formally announced. It is particularly concerned where inside information is used to gain a personal advantage. It will not hesitate to direct a trading halt or suspend dealings where it considers that improper use is being made of inside information, whether by persons connected with the issuer or otherwise. It may require a detailed explanation from an issuer as to who may have had access to inside information, and why security had not been properly maintained. If it considers the result of its enquiries justifies, it may publish its findings. It places great importance on the responsibility of the directors of an issuer to ensure proper security with regard to inside information, and that information is disclosed in a proper, equitable manner, in the interests of the market as a whole, not to the benefit of a select group or individual.

Where the Exchange believes that an issuer or its advisers have permitted inside information regarding the issue of new securities to leak before its announcement, it will not normally consider an application for the listing of those securities.

## **6. The Statutory Rules**

In accordance with the Statutory Rules the Exchange will continue to notify the Commission of trading halts, suspensions and restorations of dealings, and this Practice Note is issued without prejudice to the statutory powers of the Commission in respect of suspensions.

## **7. This Practice Note replaces Guidance Note 1 and takes effect from 16th October, 1995.**

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