

# The Stock Exchange of Hong Kong Limited

## Practice Note 17

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

Issued pursuant to rule 1.06 of the Exchange Listing Rules

### SUFFICIENCY OF OPERATIONS AND DELISTING PROCEDURES

#### 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. Introduction

- 2.1 ~~Paragraph 38 of the Listing Agreement, set out in Rule 13.24~~the Exchange Listing Rules, requires an issuer to carry out a sufficient level of operations or have tangible assets of sufficient value or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the issuer's securities on the Exchange.
- 2.2 Characteristics of issuers which are unable to comply with ~~paragraph 38~~rule 13.24 include :
- financial difficulties to an extent which seriously impairs an issuer's ability to continue its business or which has led to the suspension of some or all of its operations; and/or
  - issuers which have net liabilities as at their balance sheet date i.e. issuers whose liabilities exceed their assets.
- 2.3 Issuers that are unable to comply with ~~paragraph 38~~rule 13.24 may be suspended - either at the request of the issuer or at the direction of the Exchange. Resumption of trading in the securities of these issuers will only be permitted where they are able to demonstrate that they comply with ~~paragraph 38 of the Listing Agreement~~rule 13.24. In many cases it will be necessary for there to be some restructuring of these issuers' operations prior to resumption.
- 2.4 Paragraph 6.04 of the Exchange Listing Rules provides that "*... the continuation of a suspension for a prolonged period without the issuer taking adequate action to obtain restoration of listing may lead to the Exchange cancelling the listing.*" Purpose of this Practice Note is to clarify the procedures it will adopt in allowing such issuers to present resumption proposals or, where no such proposals are received, the procedures that will be taken to cancel the listing of an issuer's securities.

### **3. Delisting Procedures**

3.1 The Exchange will follow a four stage procedure as set out below.

- For the initial period of six months following the suspension, the Exchange will monitor developments. During this interval the issuer will be expected to make periodic announcements of developments to shareholders, in accordance with the provisions of ~~paragraph 2 of the Listing Agreement~~ rule 13.09, to advise shareholders of developments. At the end of this six months period, the Exchange will determine whether it is appropriate to extend the initial period or to proceed to the second stage.
- The second stage would involve the Exchange in writing to the issuer drawing attention its continued failure to meet ~~paragraph 38 of the Listing Agreement~~ rule 13.24 and advising that the issuer is required to submit resumption proposals within the next six months. During this period, the Exchange will continue to monitor developments of the issuer and will require from the issuer's directors monthly progress reports. At the end of the six month period, the Exchange will determine whether it is appropriate to proceed to the third stage. In making this determination, the Exchange will consider any proposal made by or on behalf of the issuer.
- Where the Exchange determines to proceed to the third stage, it will publish an announcement naming the issuer, indicating that it does not have sufficient assets or operations for listing and imposing a deadline (generally six months) for the submission of resumption proposals. During the third stage, the issuer would again be required to provide monthly progress reports to the Exchange.
- At the end of the third stage, where no proposals have been received for resumption, the listing will be cancelled. This would be announced by both the Exchange and the issuer concerned.

4. This Practice Note takes effect from 1st February, 1998

Hong Kong 26th January, 1998

Revised on 31st March, 2004