

GUIDANCE LETTER FOR TRADING HALTS
HKE_x GUIDANCE LETTER
HKE_x-GL83-15 (December 2015)

Subject	Guidance on trading halts
Listing Rules	Main Board Rules 6.05, 13.09, 13.10, 13.10A and 13.10B GEM Rules 9.09, 17.10, 17.11, 17.11A and 17.12

Important note: *This letter does not override the Listing Rules and is not a substitute for advice from qualified professional advisers. If there is any conflict or inconsistency between this letter and the Listing Rules, the Listing Rules prevail. You may consult the Listing Department on a confidential basis for an interpretation of the Listing Rules, or this letter.*

I. PURPOSE

1. This letter sets out the criteria and principles of trading halts. It provides guidance on good practices about trading halts pending disclosures of material information by listed issuers. For the Exchange's practice and guidance on trading resumption of companies suspended due to insufficient operations or other material regulatory issues, please see our "[Guidance Letter for Long Suspended Companies](#)" published in September 2013. Issuers should also refer to the "[Guidelines on Disclosure of Inside Information](#)" published by the Securities and Futures Commission (SFC) for guidance on their Inside Information (as defined in the Securities and Futures Ordinance (SFO)) disclosure obligations under the SFO.

II. CRITERIA AND PRINCIPLES OF TRADING HALTS

2. The Exchange is the front line regulator of listed issuers. It has a statutory obligation under the SFO to ensure, so far as reasonably practicable, an orderly, informed and fair market in the trading of securities.
3. For this purpose or the protection of investors the Exchange may suspend trading in any securities. Trading halts are tools to address both potential and actual false, unfair or disorderly market. Trading halts serve to protect investors by allowing trading on a fully informed basis. By creating a break in trading they aim to avert the risk of a false, unfair or disorderly market or where such conditions are already emerging.
4. At the same time, to ensure the proper functioning of the market, any trading halt should be kept to a period that is absolutely necessary to ensure investors are not denied reasonable access to the market.

5. Although other jurisdictions have trading halt procedures in place based on broadly similar objectives, the detail of the arrangements is usually tailored to local circumstances and often varies considerably.

III. GUIDANCE ON GOOD PRACTICES ABOUT TRADING HALTS PENDING DISCLOSURES OF MATERIAL INFORMATION BY LISTED ISSUERS

Where a trading halt is necessary

6. Under Main Board Rule 13.10A and GEM Rule 17.11A, an issuer must, as soon as reasonably practicable, apply for a trading halt (where an announcement cannot be made promptly) in the following circumstances:
 - (a) it has information which must be disclosed to avoid, in the opinion of the Exchange, a false market¹; or
 - (b) it reasonably believes that there is Inside Information which must be disclosed under the Inside Information Provisions²; or
 - (c) circumstances exist where it reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of certain Inside Information.

Avoiding and minimizing halt

7. While a trading halt may be necessary to protect investors or to maintain an orderly market, in the interests of promoting a continuous market the Exchange would expect listed issuers to plan their affairs so that a trading halt can be avoided and/or any halt can be kept as short as is reasonably possible. The duration of any trading halt should be for the shortest possible period. Listed issuers are obliged to 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 apply³.
8. Under the Listing Rules issuer announcements containing Inside Information can only be published outside trading hours. Accordingly, significant agreements should only be signed outside, and not during, trading hours. Listed issuers should prepare their announcements ahead of signing of agreements such that they can be released immediately after agreements are signed.
9. Listed issuers undertaking transactions which involve complex or controversial issues or for which announcements require pre-vetting by the Exchange⁴ should seek early consultations with, or regulatory clearance from, the Exchange. This process should take place before, and

¹ For the meaning of “false market” and an issuer’s obligation to avoid it, see [FAQ Series 22 No.1](#)

² Part XIVA of the Securities and Futures Ordinance

³ Main Board Rule 6.05. See also GEM Rule 9.09 which requires an issuer to use its reasonable endeavours to obtain all relevant consents necessary to ensure the lifting of such trading halt or suspension.

⁴ Main Board Rule 13.52(2) and GEM Rule 17.53(2) require certain types of announcements to be pre-vetted and cleared by the Exchange prior to publication.

not after, the signing of a significant agreement so as to avoid and/or minimize the duration of any trading halt.

10. In preparing transaction announcements, listed issuers should ensure that the information is clearly presented in plain language and the announcements include information which is required under the Listing Rules, the Inside Information Provisions and any other information which is relevant and material to investors. Unnecessarily lengthy disclosures may result in delaying the release of the announcement thereby prolonging the trading halt. It may also hinder investors' understanding and appraisal of the transaction.
11. Where trading is halted pending an announcement of a transaction, the issuer should publish the transaction announcement and resume trading as soon as possible. If there is a development during the trading halt (e.g. further negotiation that may materially change the terms of the agreement), it would be inappropriate for the issuer to continue the trading halt pending the outcome of its negotiation. In such situation, the issuer is still required to publish the transaction announcement in compliance with the Listing Rules and Inside Information Provisions and resume trading as soon as possible.

Incomplete proposals and business negotiations

12. Listed issuers are subject to, among others, Part XIVA of the SFO to disclose its Inside Information and the Exchange would refer listed issuers to their legal advisers and the guidelines published by the SFC. One commonly used safe harbour from the obligation to disclose Inside Information under the SFO is the preservation of confidentiality of information concerning an incomplete proposal or business negotiation. To maintain a fair, orderly and continuously trading market the Exchange would also expect listed issuers to take effective and appropriate measures to preserve confidentiality of such information including, for example, execution of enforceable confidentiality undertakings and use of code names in circulating draft documents amongst professional parties. The Exchange would only agree to a trading halt if there appears to be a reasonable concern on the leakage of Inside Information and/or practical difficulty in maintaining confidentiality.

Response to Exchange's enquiries

13. The Exchange routinely monitors share price and volume movements and reviews print and online media news to detect possible leakages of Inside Information and to prevent the possible development of any false or unfair market in the trading of securities. It is critically important that authorized representatives of listed issuers are contactable at all times and are in a position to answer enquiries from the Exchange on any unusual share price and volume movements and media news. They are expected to confirm (i) whether the directors are aware of any matter of development that is or may be relevant to the unusual trading movement of its listed securities, or information necessary to avoid a false market, or any inside information which needs to be disclosed under the Inside Information Provisions⁵, and (ii) if so, provide details.
14. Where listed issuers are engaged in confidential business negotiation they should also monitor their share price and volume movements and media coverage to ensure that their measures to

⁵ Main Board Rule 13.10(2) and GEM Rule 17.11(2)

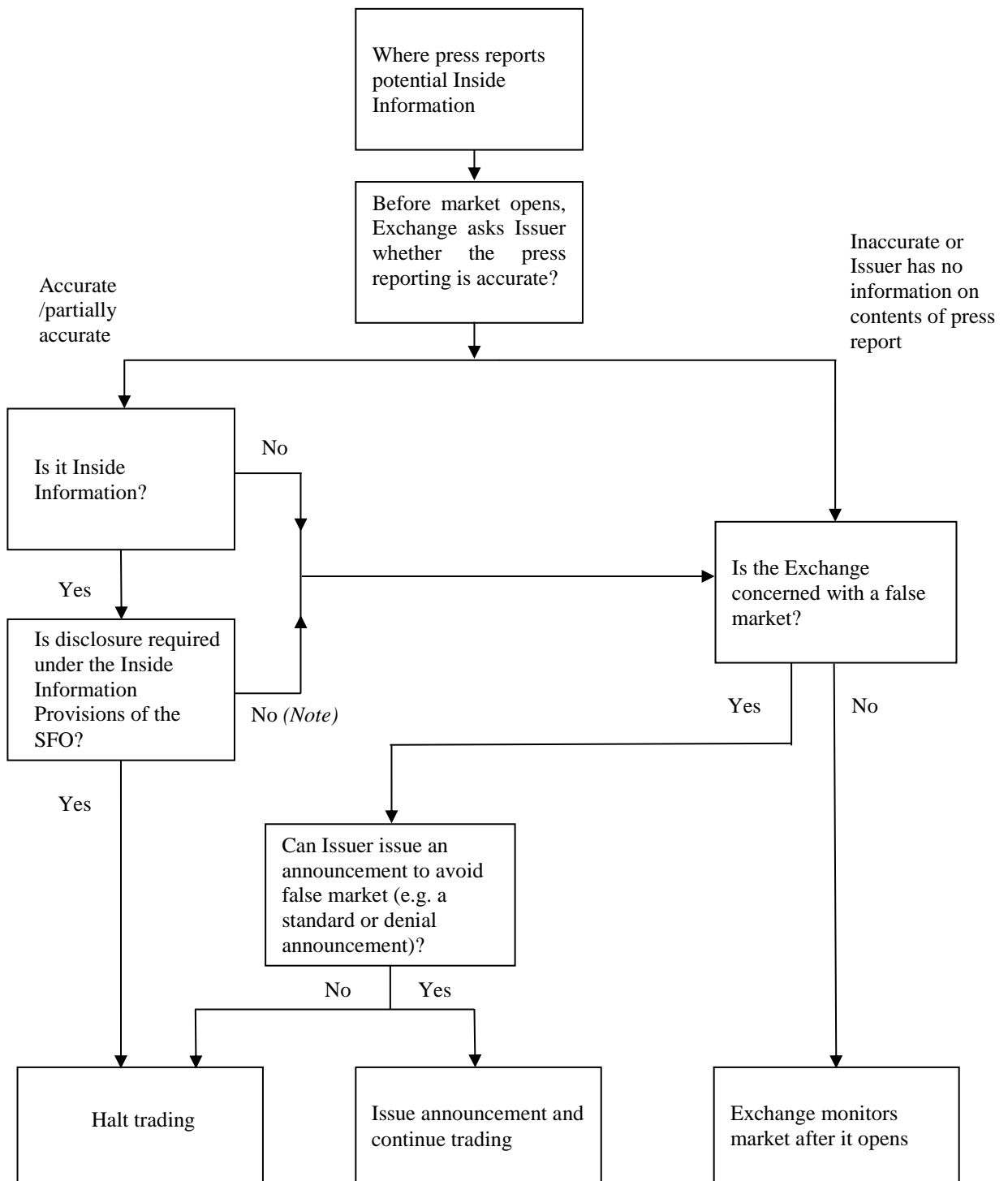
preserve confidentiality are effective. In response to any Exchange's enquiries on a listed issuer's unusual share price and volume movements and/or media coverage, the issuer must promptly and carefully assess whether it has a disclosure obligation under the SFO to disclose its Inside Information, if any.

15. In all cases listed issuers should have in place an appropriate delegation of authority to allow for timely release of information to the Exchange and, where appropriate, to the public by publication of an announcement. Such delegation should enable the authorized representatives to timely request a trading halt pending publication of an announcement.

Handling of specific market speculations and negative publicity

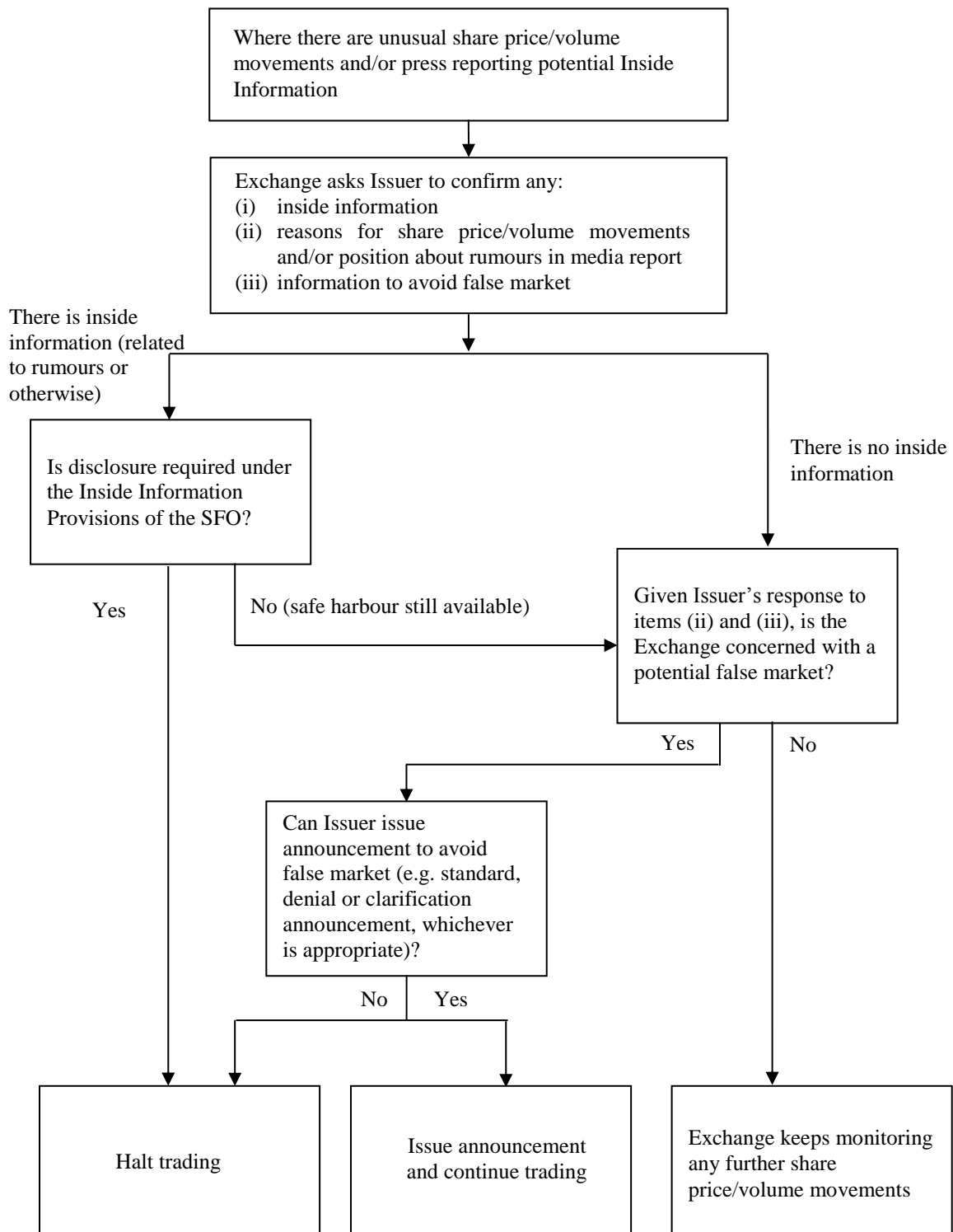
16. From time to time there appear in the market specific rumors, speculations or negative publicity made by commentators. In these circumstances such issuers' directors must promptly and carefully assess whether a disclosure obligation arises under the SFO and the Listing Rules.
17. Whilst an issuer is not generally expected to respond to market comments, if any market comment has, or is likely to have, an effect on the issuer's share price/volume such that there may potentially be a false market, the Exchange may require the issuer to make a clarification announcement. Where the issuer is unable to make such announcement promptly, the Exchange may require it to request a trading halt pending the clarification to address potential or actual false market. It is therefore important for issuers to establish procedures to actively monitor their share price and any news, comments or reports relating to them circulated in the market. Issuer directors should ensure that they have a proper understanding of the issuer's business, financial position and prospects and there is an effective system for them to continuously monitor developments so that they can promptly and accurately respond to the Exchange's enquiries concerning the issuer's affairs and where necessary publish announcements to correct or prevent a false market.
18. Please see below two decision-tree-diagrams illustrating the scenarios where the Exchange enquires about an issuer's unusual share price and/or volume movements and/or market comments:

Decision tree about whether a trading halt is appropriate where the Exchange detects a possible leakage of Inside Information before market opens



Note: for example, with safe harbour under section 307D(1) of the SFO

Decision tree about whether a trading halt is appropriate where the Exchange detects a possible leakage of Inside Information during trading hours



Special considerations about dual or multiple listings and A and H share issuers

19. Dual or multiple-listed issuers must ensure, as far as practicable, simultaneous dissemination of information in the different markets and, if that is impracticable (e.g. for time zone differences), that the information is disseminated before the market opens in Hong Kong.
20. For A and H share issuers, the Exchange and the PRC Exchanges closely co-ordinate and communicate as simultaneous trading halts in both markets are generally necessary to maintain a fair and orderly market in the trading of the respective A and H shares. If an A and H share issuer has unpublished material information warranting a trading halt in both markets, such trading halt requests should be made by the issuer with both exchanges simultaneously. The issuer should also release its announcement containing the material information in both markets simultaneously such that, as far as practicable, trading resumption can be achieved at both markets at the same time. Issuers should also refer to the Exchange's "[*Frequently Asked Questions Series 29*](#)" published in relation to the Shanghai-Hong Kong Stock Connect.

IV. KEEPING THE MARKET WELL INFORMED DURING A TRADING HALT

21. Under the Listing Rules, listed issuers must release an announcement promptly after a trading halt is effected to inform the market of a reason for its trading halt, e.g. "trading in the shares of Issuer A ... has been halted ... pending the release of an announcement containing inside information...". To make such announcements meaningful, listed issuers should disclose details (such as the subject of the transaction and the applicable Listing Rule classifications) on the reason for the trading halt, e.g. "trading in the shares of Issuer A ... has been halted ... pending the release of an announcement about a further issuance of equity securities amounting to 5% of Issuer A's existing issued shares which would constitute a connected transaction for the purpose of the Listing Rules and Inside Information for the purpose of the SFO..."
22. If a trading suspension cannot be avoided and significant time is expected to be needed to prepare and release the relevant material information, listed issuers should nevertheless publish periodic updates ("holding announcements") on their progress towards such preparation of information disclosure and trading resumption.
23. Listed issuers are reminded that, under Section 307B(1) of the SFO, they must disclose their Inside Information as soon as reasonably practicable. This legal obligation exists irrespective of whether trading in its listed securities is suspended or otherwise.

V. ADMINISTRATIVE MATTERS

24. Under Main Board Rule 13.10A and GEM Rule 17.11A, a listed issuer must apply for a trading halt in certain circumstances where an announcement cannot be promptly made. If a trading halt is necessary, such request should be made in writing before 9:00 am for trading halt in the morning trading session and 1:00 pm for trading halt in the afternoon trading session.
25. Any request for a trading halt must be supported with reasons and the Exchange would consider if a trading halt is appropriate in the circumstances. Resumption of trading, in the majority of cases, takes place from the next immediate trading window following publication of material information by listed issuers and, in a few cases, fulfillment of specific conditions imposed by the Exchange.
