

**HKEX LISTING DECISION**  
**HKEX-LD110-2017 (published in June 2017) (Updated in August 2018)**

<b>Party</b>	Company A – a Main Board issuer
<b>Issue</b>	Whether the Exchange would commence the procedures to cancel the listing of Company A whose shares had been suspended for a prolonged period due to insufficient public float
<b>Listing Rules</b>	Main Board Rules 6.01(2), 6.04, 6.10, 8.08, 13.32 (Updated in August 2018)
<b>Decision</b>	The Exchange decided to serve a delisting notice to Company A. Company A was given a remedial period of six months to restore its public float, failing which the Exchange would proceed with cancellation of Company A's listing.

**FACTS<sup>1</sup>**

1. Trading in Company A's shares had been suspended pending restoration of its public float.
2. At the time of trading suspension, Company A had two major shareholders (each holding about 45% of Company A's issued shares) and its public float was below 10%. After the suspension, there were certain takeover related matters involving a possible general offer of Company A's shares which might have affected Company A's plans to resolve the public float issue.
3. About eight months ago, Company A noted that those takeover related matters were resolved and there was no general offer of Company A's shares. Company A announced its intention to issue new shares to independent placees to restore the public float to at least 25%.
4. Since then, Company A had some discussions with its financial advisers but there was no material development on the proposed placing. It also submitted an alternative proposal to the Exchange but the proposal could not satisfactorily address the public float issue and did not proceed. In response to the Exchange's concern about the prolonged suspension of Company A's shares, Company A requested for an extension of time to resolve the public float issue until the market conditions had improved. However, no concrete plan or timetable was provided.

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<sup>1</sup> Time reference is the time to date of the decision.

## APPLICABLE LISTING RULES

5. Rule 6.01 provides that:

*“Listing is always granted subject to the condition that where the Exchange considers it necessary for the protection of the investor or the maintenance of an orderly market, it may at any time direct a trading halt or suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the issuer or not. The Exchange may also do so where:— ...*

*...*

- (2) the Exchange considers there are insufficient securities in the hands of the public ...*

*...”*

6. Rule 6.04 provides that:

*“Where dealings have been halted or suspended, the procedure for lifting the trading halt or suspension will depend on the circumstances and the Exchange reserves the right to impose such conditions as it considers appropriate. The issuer will normally be required to announce the reason for the trading halt or suspension and, where appropriate, the anticipated timing of the lifting of the trading halt or suspension...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.”*

7. Rule 6.10 provides that:

*“There may be cases where a listing is cancelled without a suspension intervening. Where the Exchange considers that any circumstances set out in rule 6.01 arise, it may:*

- (1) publish an announcement naming the issuer and specifying the period within which the issuer must have remedied those matters which have given rise to such circumstances. Where appropriate 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*

*proposals to remedy those matters as if they were an application for listing from a new applicant for all purposes, in which case, the issuer must comply with the requirements for new listing applications as set out in the Listing Rules; or*

*... ”(Updated in August 2018)*

8. Rule 8.08 provides that:

*“There must be an open market in the securities for which listing is sought. This will normally mean that:*

*(1) (a) at least 25 % of the issuer’s total number of issued shares must at all times be held by the public.*

*...”*

9. Rule 13.32 provides that:

*“(1) Issuers shall maintain the minimum percentage of listed securities as prescribed by rule 8.08 at all times in public hands. ...*

*(2) Once the issuer becomes aware that the number of listed securities in the hands of the public has fallen below the relevant prescribed minimum percentage the issuer shall take steps to ensure compliance at the earliest possible moment.*

*...*

*(3) If the percentage falls below the minimum, the Exchange reserves the right to require suspension of trading in an issuer’s securities until appropriate steps have been taken to restore the minimum percentage of securities in public hands. In this connection, the Exchange will normally require suspension of trading in an issuer’s securities where the percentage of its public float falls below 15%...*

*...”*

## **ANALYSIS**

10. Rule 6.01 provides that where the Exchange considers it necessary for the protection of the investor or the maintenance of an orderly market, it may suspend trading or cancel the listing of any securities. The Rule also specifies certain circumstances under which the Exchange may suspend trading or cancel a listing, which include insufficient public float.
11. The continuation of a suspension for a prolonged period is detrimental to maintaining order or confidence in the market. It deprives shareholders' right from trading their shares or realising their investments in the market; and is not in the interest of the investing public. Rule 6.04 sets out the general principle 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.
12. For delisting under any of the circumstances set out in Rule 6.01, the Exchange may under Rule 6.10 specify a remedial period for the issuer to address the matter that gives rise to the trading suspension before delisting. The length of the remedial period will depend on the nature and complexity of the matter which the Exchange requires the issuer to rectify. Where trading is suspended due to insufficient public float, the Exchange will expect the issuer to address the matter within a reasonably short period of time. (Updated in August 2018)
13. In this case, trading in Company A's shares had been suspended for a prolonged period due to insufficient public float. Whilst Company A had announced its intention to restore the public float through placing of new shares, there was no material development over a period of eight months. In its latest submission, Company A was still unable to put forward any concrete plan or timetable to address the public float issue. The Exchange considered that Company A had not taken adequate actions to address the public float issue for resumption of trading.
14. Having considered the facts and circumstances of this case, the Exchange decided to commence the delisting process and gave Company A a six-month period to address the public float issue.

## **CONCLUSION**

15. The Exchange served a notice to Company A on the commencement of the delisting process under Rules 6.01(2) and 6.10 on the ground that Company A had insufficient public float for a prolonged period. If Company A failed to address the public float issue within six months, the

Exchange would proceed with cancellation of Company A's listing.  
(Updated in August 2018)

*Subsequent development*

16. Company A's public float had been restored to 25% within the six month period as a result of the issue of new shares by Company A and the sale of existing shares by its controlling shareholder to independent places. As a result, trading in Company A's shares had resumed.