

Whether the Exchange would allow a listed issuer to resume trading in its shares when it had restored its public float to 15 per cent

Parties

- **Company A** – a Main Board issuer
- **Company B** – Company A's controlling shareholder

Facts

1. Company B made a general offer for Company A's shares under the Takeovers Code after it had acquired a controlling interest in Company A.
2. When the offer closed, the percentage of Company A's shares in public hands fell to 13 per cent. There was a lack of open market for the shares. As a result, trading in the shares was suspended.
3. Company A noted from the Rules that the Exchange will normally require suspension of trading in an issuer's securities when its public float falls below 15 per cent. It asked whether trading in its shares could resume when it had restored the public float to 15 per cent.

Relevant Listing Rules

4. Rule 8.08(1) states that:

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

- (a) at least 25 per cent of the issuer's total number of issued shares must at all times be held by the public.

...

(Rule 8.08(1)(a) was amended on 11 June 2024. See Note below.)

5. Rule 13.32 states that:

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

...

- (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 per cent...

Analysis

6. Rules 8.08 and 13.32 seek to ensure an open market for trading in listed securities and require at least 25 per cent of the securities be held by the public.
7. Therefore, when the issuer's public float falls below 25 per cent, trading will be suspended if it is necessary to avoid a disorderly market. The Exchange will allow resumption of trading when appropriate steps have been taken to restore a 25 per cent public float.
8. The Rules also provide guidance that the Exchange would normally consider a public float of less than 15 per cent be too small to maintain an orderly market and require a suspension of trading in this situation. This does not mean that the Exchange would accept a public float of 15 per cent for resumption of trading.

Conclusion

9. Company A was required to restore its public float to at least 25 per cent before resumption of trading.

Note: Rule 8.08(1)(a) was amended on 11 June 2024 to exclude treasury shares in the calculation of issued shares for the purpose of determining the public float of the issuer. The Rule amendments would not change the analysis and conclusion in this case.