

# HONG KONG EXCHANGES AND CLEARING LIMITED

## GUIDE ON PRACTICES AND PROCEDURES FOR POST-VETTING ANNOUNCEMENTS OF LISTED ISSUERS

(Last updated on 28 September 2023)

### Purpose of this Guide

1. The purpose of this Guide is to assist listed issuers to understand how the Exchange monitors their compliance with the Listing Rules through ex-post reviews of announcements published by the listed issuers (“post-vetting”).

### Post-vetting Announcements Published by Listed Issuers

2. It is a listed issuer’s responsibility to take all reasonable care to ensure its announcements and the transactions / matters which the announcements relate comply with the requirements of the Listing Rules.
3. Review of announcements published by listed issuers would allow the Listing Division to monitor the activities of the issuers and their ongoing compliance with the obligations under the Listing Rules.

### Information that is ordinarily required by the Exchange for post-vetting announcements

4. Where applicable, the listed issuer must complete the checklist “Size Tests for Notifiable Transactions and Connected Transactions” (CF006) and submit it to the Listing Division not later than the publication of the announcement<sup>1</sup>.
5. In respect of any announcement published by a listed issuer, the Listing Division may require the issuer to submit information and / or documents in respect of the announcement to demonstrate whether the Listing Rules have been complied with.

### Circumstances under which the Exchange will make follow-up enquiry with a listed issuer

6. The Listing Division may make follow-up enquiry with listed issuers after the issuers have published their announcements.

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<sup>1</sup> Under Main Board Rules 14.85 and 14A.66 / GEM Rules 19.85 and 20.64, listed issuers must complete and submit any checklist(s) in such form as may be prescribed by the Exchange from time to time in respect of any notifiable transaction and connected transaction.

7. Follow-up enquiry with listed issuers will normally be made by the Listing Division in the following circumstances:
- (1) to clarify situation that may raise concerns about the need to consider trading halt for the protection of investors or maintenance of an orderly market;
  - (2) to better understand certain transactions or matters disclosed in the announcements to ascertain whether the obligations under the Listing Rules have been or will be complied with;
  - (3) to follow up on (i) any non-compliance or possible non-compliance with the Listing Rules; or (ii) any matters disclosed in the announcement that will affect an orderly market for trading in the listed securities;
  - (4) to request a further announcement to rectify non-compliance with disclosure requirements<sup>2</sup>; and / or
  - (5) to request remedial action for non-compliance with specific rule requirements<sup>2</sup>.
8. When making any follow up enquiry, the Listing Division will advise the listed issuer its basis for making the enquiry and, where applicable, its basis for requesting a further announcement or other remedial action, including by reference to specific rules or the general principle under the Listing Rules.

**Listed issuers to respond to the Exchange's enquiry in a timely manner**

9. Post-vetting procedures are established with an aim to ensure that rule compliance issues in respect of listed issuers' announcements are identified and addressed in a timely manner.
10. A listed issuer must respond promptly to the follow-up enquiry made by the Listing Division in respect of its announcement and must provide without delay all information and explanations required by the Listing Division<sup>3</sup>.

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<sup>2</sup> Under Note 3 to Main Board Rule 13.52 / Note 4 to GEM Rule 17.53, the Exchange reserves the right to require an issuer to issue a further announcement or documents and/or take other remedial action, if the original document does not comply with the requirements of the Listing Rules.

<sup>3</sup> Under Main Board Rule 2.12A / GEM Rule 17.55A, an issuer must provide to the Exchange as soon as possible, or otherwise in accordance with time limits imposed by the Exchange: (1) any information that the Exchange considers appropriate to protect investors or ensure the smooth operation of the market; and (2) any other information or explanation that the Exchange may reasonably require for the purpose of investigating a suspected breach of or verifying compliance with the Exchange Listing Rules. Under Main Board Rule 13.10 / GEM Rule 17.11, an issuer shall respond promptly to any enquiries made of the issuer by the Exchange concerning any matters by giving such relevant information as is available to the issuer.

11. This is particularly the case where an announcement raises concerns on the continuing operation of a fair and orderly market. The listed issuer will be contacted immediately for clarification and it may need to consider publishing an appropriate clarification announcement before the market opens. Where the listed issuer is unable to promptly address the concerns, the need for immediate trading halt will be considered.
12. In general, when any post-vetting issue in respect of a particular announcement is communicated to the listed issuer, the issue should be resolved as soon as possible and within the same business day. Without prejudice to any requirements of the Listing Rules, a further announcement, if necessary, should be published by the listed issuer without delay and not later than the next business day following the publication of the particular announcement.

### **Follow-up actions**

13. Depending on the circumstances of individual cases, post-vetting activities may lead to one or more of the following actions:
  - (1) The Listing Division may decide that no further action is necessary in light of the results of post-vetting the announcement and, where enquiries have been made with the listed issuer, the responses made by the listed issuer.
  - (2) The Listing Division may identify issues that raise concerns on whether the trading of securities can be conducted in a fair and orderly manner. Where the listed issuer is unable to promptly address the concerns (for example, by issuing an appropriate clarification announcement to avert the risk of a disorderly market<sup>4</sup>), trading halt in the listed issuer's securities may be warranted for the protection of investors or the maintenance of an orderly market<sup>5</sup>.
  - (3) Remedial or preventive measures to address rule compliance issues or rectify rule breaches
    - Remedial or preventive measures to address any rule compliance issues (disclosure or specific compliance requirements) or rectify any rule breaches may be either (i) proposed by the listed issuer in response to the Listing Division's enquiry made in the post-vetting

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<sup>4</sup> See Question 1 on "false market" of Exchange's FAQ Series 22. A "false market" generally means a situation where there is material misinformation or materially incomplete information in the market compromising proper price discovery. A false market may arise, for example, where (a) there is false or misleading information, including a false rumour, circulating in the market; (b) an issuer has inside information that needs to be disclosed under the Inside Information Provisions but it has not announced the information; or (c) a segment of the market is trading on the basis of inside information that is not available to the market as a whole.

<sup>5</sup> See Chapter 6 of Main Board Rules / Chapter 9 of GEM Rules.

process; or (ii) required by the Listing Division where the circumstances necessitate.

- Remedial or preventive measures may be taken in respect of a particular announcement or the subject matter / transaction of such announcement. For example, reclassifying a transaction; or putting necessary arrangements in place to maintain the minimum public float of the listed issuer's shares upon completion of a proposed issue of new shares to connected persons; or making further disclosure to clarify the book close dates and related entitlement dates for different corporate actions; or publishing a further announcement to disclose information on the transaction.
- In determining the appropriate course of action in respect of a problem in rule compliance, the Exchange will also take into account the compliance history of the listed issuer. In particular where the circumstances suggest a persistent breach of rules by the listed issuer or reveal serious or systematic weaknesses in its compliance procedures, the Exchange may require the listed issuer to take appropriate remedial measures to enable it to meet its continuing obligations under the Listing Rules going forward. Such remedial measures will be imposed by the Listing Division without prejudice to any disciplinary action that may be taken by the Exchange in respect of the listed issuer's breach of the Listing Rules. However prompt remedial action by the listed issuer will be a factor looked upon favourably in determining whether disciplinary action is appropriate.

14. A further announcement will generally be required to be made by the listed issuer in conjunction with the above mentioned actions. For example:

- (1) Trading halt announcement - Where trading has been halted, the matters giving rise to the halt<sup>6</sup>.
- (2) Announcement to address non-compliance with disclosure requirements – This applies to circumstances where the original announcement does not comply with any specific disclosure requirement(s) in the Listing Rules or the general principle set out in Main Board Rule 2.13 / GEM Rule 17.56, or where material information came to light as a result of the Listing Division's follow-up enquiries. Making a clarification announcement is one of the remedial actions that the listed issuer may take to rectify a breach of disclosure requirements.

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<sup>6</sup> See also Main Board Rule 6.04 / GEM Rule 9.04.

- (3) Announcement on other remedial actions - Information relating to the remedial or preventive measures proposed or taken by the listed issuer to address any compliance issue under the Listing Rules, for example, Main Board Rule 14.36 / GEM Rule 19.36 requires a further announcement where the remedial action proposed by the listed issuer involves changes in the terms, or termination, of a notifiable transaction disclosed in the original announcement.