

# SLAUGHTER AND MAY

**SUBMISSION BY SLAUGHTER AND MAY**  
**REGARDING THE STOCK EXCHANGE OF HONG KONG LIMITED'S**  
**CONSULTATION PAPER ON DELISTING AND OTHER RULE AMENDMENTS**

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## Consultation Questions

1. Do you agree with our proposed MB Rule amendment to add a fixed period delisting criterion?

We agree with the proposal in order to allow greater certainty on the delisting process.

2. Do you think the appropriate period under the fixed period delisting criterion should be:

We would propose 24 months as the prescribed period, with the Exchange being able to extend the period depending on the circumstances of each case (for example, if the issuer has already substantially implemented the remedial steps and requires an extension to finalise matters or a new listing application has been filed and the listing committee hearing has not yet taken place). We believe this approach balances the interests of minority shareholders (who may be left with shares in a delisted company) with the need to incentivise issuers to remedy suspension issues and to give the Exchange a clearer basis for delisting. While 24 months, on the face of it, is longer than the three-stage process of six months each under PN17, the fact that this is a more bright line deadline and coupled with the fact that the delisting process under PN17 may have continued beyond 18 months in the past, would make 24 months appropriate in length.

3. Do you agree with our proposed MB Rule amendment to allow the Exchange to delist an issuer under any applicable delisting criteria in MB Rule 6.01 immediately, or publish a delisting notice and give the issuer a period of time to remedy the relevant issues to avoid delisting?

We agree with the proposal to give the Exchange the power to immediately delist an issuer in circumstances that fall under Rule 6.01. We note the Exchange intends to exercise this power only in exceptional circumstances – we propose the drafting should reflect the exceptional nature of this power.

We note that in circumstances where an issuer falls under a delisting criteria in Rule 6.01, the Exchange also wishes to have the power to specify another remedial period (which may be shorter than the fixed period noted in question 2 above). We do not object to this proposal, but would like to seek clarification on when the Exchange envisages it would be more likely to apply the potentially shorter remedial period under Rule 6.10 as opposed to the fixed period under Rule 6.01A.

We also note that under Rule 6.10(1), the Exchange *may* treat any resumption proposals as if they were a new listing application. We would like to seek clarification on when this power is more likely to be exercised - for example, could it be exercised if the suspension matter relates to an insufficient public float?

4. Do you agree with our proposal to remove Practice Note 17 and to delist issuers without sufficient operations or assets under either the fixed period criterion or the new delisting process for MB Rule 6.01?

We agree with the proposal.

5. Do you agree with our proposal to add a note to MB Rule 13.24 setting out the characteristics of issuers which are unable to comply with MB Rule 13.24?

We agree with the proposal.

6. Do you agree with our proposal to remove MB Rule 6.01(1)?

We do not object to the proposal, but where suspension is due to a material breach of the Listing Rules, it is not entirely clear if the Exchange wishes to be able to make use of the fixed period criterion and the procedure under Rule 6.10 to delist the issuer.

7. Do you agree with our proposal to clarify in MB Rule 2B.07(5) the applicable procedure for reviewing decisions to suspend or cancel a listing under MB Rule 6.01?

We agree with the proposal.

8. Do you agree with our proposed MB Rule amendment to require suspended issuers to announce quarterly updates?

We agree with the proposal.

9. Do you agree with the proposed transitional arrangements described in paragraph 52 of the consultation paper, and the proposed commencement dates of the fixed period under different situations?

We agree with the proposal.

10. Do you agree with our proposed GEM Rule amendment to add a fixed period delisting criterion?

We agree with the proposal.

11. Do you think the appropriate period under the fixed period delisting criterion should be:

6 months

12 months

Other \_\_\_\_\_ (please state)

Although we do not object to 12 months as the prescribed period for GEM issuers (with the Exchange being able to extend the period depending on the circumstances of each case), we would like to understand the rationale for having different fixed periods for GEM issuers and Main Board issuers under the current rules.

12. Do you agree with the proposed transitional arrangement described in paragraph 59 of the consultation paper?

We agree with the proposal.

13. Do you agree our proposal to align the wording of GEM Rule 9.15 with MB Rule 6.10?

We agree with the proposal, subject to our comments at question 3 above.

14. Do you agree with our proposal to remove GEM Rule 9.04(5)?

We agree with the proposal, subject to our comments at question 6 above.

15. Do you agree with our proposal to clarify in GEM Rule 4.07(6) the applicable procedures for reviewing decisions to suspend or cancel a listing under Chapter 9 of the GEM Rules?

We agree with the proposal.

16. Do you agree with our proposed GEM Rule amendment to require suspended issuers to announce quarterly updates?

We agree with the proposal.

17. Do you agree with our proposal to remove MB Rule 14.37(1) / GEM Rule 19.37(1)?

We agree with the proposal.

18. Do you agree with our proposal to remove MB Rule 14.37(2) / GEM Rule 19.37(2)?

We agree with the proposal.

19. Do you agree with our proposed MB / GEM Rule amendment to delegate authority to the Listing Department to direct resumption of trading and to provide for an accelerated review procedure?

We would propose that issuers be given longer than 2 business days to serve a Review Request in relation to any direction to resume trading as the Review Request needs to be accompanied by the grounds for review and detailed reasons. The analogy of the decision by the Listing Department to return a listing application within two days is not really comparable as we understand that is more based on an administrative procedure than substantive review. We would propose 5 business days (which is the same timeframe for serving a Review Request for a Return Decision) so that a properly considered Review Request can be prepared.

If the Exchange has any queries regarding this submission, please feel free to contact Benita Yu [REDACTED] John Moore [REDACTED] or Lydia Kungsen

24 November 2017