



Listed Issuer Regulation Newsletter

Highlights

- Issuers meeting financial reporting obligations amid Covid-19
- Convening general meetings
- Reminder on information required in AGM circulars
- Profile on long suspended companies
- Rule amendments consequential to the SFC's new requirements on bookbuilding and placing activities
- Reorganisation of the Listed Issuer Regulation Department

Issuers meeting financial reporting obligations amid Covid-19

This year, the pandemic continued to affect listed issuers in preparing financial results and auditors in performing audits. In particular, the outbreak of the Omicron variants of the coronavirus in February presented significant challenges for issuers with a December financial year end.

Throughout February and March, the Exchange met with, and maintained dialogues with various stakeholders to alleviate the concerns of listed issuers and auditors, and to adopt measures to best assist issuers' timely publication of financial information. We adopted the same arrangement applied in 2020¹ whereby issuers averted trading suspension if they published key financial information, allowing the audit assurance to be provided at a later stage. This approach balanced investors' needs for timely financial information while minimising disruptions to securities trading.

Number of issuers (excluding long suspended issuers)	Financial year		
	2021	2020	2019
Issuers with December financial year end	1,860	1,851	1,792
Annual results announcements			
Published results agreed with auditors by 31 March	1,633	1,756	1,399
Published management accounts under guidance of the Joint Statement and continued securities trading	192	27	384
Trading suspended pending publication of results agreed with auditors	35	68	9
- Trading suspended due to Covid-related reasons	14	2	5
Published annual reports by 30 April	1,703	1,773	1,501

We are pleased to note that most issuers (1,633 out of 1,860) published financial results agreed with auditors by the 31 March deadline in full compliance with the Rules.

This year,

- 192 issuers adopted the [Joint Statement](#) guidance and published management accounts and averted trading suspension.
- Only 35 issuers were suspended for delay in results publication (compared to 68 issuers last year), including 21 issuers whose securities trading was suspended due to material issues identified during the course of the audit. This represents an improvement compared to last year where 66 issuers were suspended for similar reasons.
- Currently, 140 out of these 192 issuers have published financial results agreed with auditors. We note that as the Covid-19 situation continues to develop in Mainland China, some issuers are experiencing further delays in account preparation and audit procedures.
- The Exchange provided an automatic extension to 15 May for annual report publication, and further extensions after 15 May on a case by case basis. 56 issuers¹ have yet to publish their annual reports by 15 May. We acknowledge the difficulties encountered by issuers due to the Covid-19 outbreak in Mainland cities and **have provided them with further timing relief².**

¹ Excluding issuers whose securities trading was suspended.

² See [Question 2 of the FAQs \(issued on 21 February 2022 and updated on 8 April 2022\)](#)

Convening general meetings

The pandemic has not only affected listed issuers' preparation of audited results but also disrupted their corporate affairs plans when public gathering was subject to limitations.

In February 2022, a number of issuers who had planned and announced general meetings had to alter their arrangements due to the government's Covid-19 measures³.

Many listed issuers reacted promptly and made appropriate adjustments to ensure smooth proceedings at general meetings. For example, issuers implemented the following arrangements:

- changed the format of general meetings from physical to virtual;
- where a physical meeting was required by law or the issuers' articles, adopted hybrid arrangements and convened meetings in a combination of physical and virtual format. To fulfill the requirements, some issuers held physical meetings at their offices with only directors and management attending, and virtual meetings for wider shareholders' participation; and
- adopted online platforms and provided shareholders access to voting and raising questions real time on those platforms.

The Listing Rules do not specify requirements on the conduct of, and format for general meetings. This is governed by the laws and regulations in the issuers' jurisdiction of incorporation and their own articles of association. However, issuers should also have due regard to the principles set out in the Core Standards, which is to ensure that shareholders' rights to speak and vote at general meetings⁴ will be maintained at all times.

Practically, issuers should organise their meetings at places and times convenient to the largest possible number of shareholders to attend⁵.

Issuers may conduct general meetings by different means to maximise shareholder participation. As highlighted in our [FAQs](#), issuers may consider conducting their general meetings using webcast or video conference if such arrangements are in compliance with the company laws of their jurisdictions and their own articles of association.

Issuers should explain the arrangements for the general meetings clearly, and provide sufficient notice of any subsequent changes. For example, for virtual meetings, issuers should give clear instructions on logins. If online voting is allowed, issuers should explain clearly whether shareholders are required to make any pre-registration, and if so, disclose details of the timing and manner of such registration.

In addition, issuers should take note of potential technology-related issues (such as internet bandwidth) and make necessary preparation to ensure the meetings are not interrupted.

As the pandemic situation continues to evolve, issuers are advised to closely monitor the latest regulations and developments when planning their general meetings, or have in place contingency plans if they choose to conduct physical meetings only.

In the past two months, we observed instances where issuers had to postpone their physical general meetings because their articles of association did not allow holding general meetings in virtual or hybrid form. In this connection, we encourage issuers to review their articles of association to ensure they provide the necessary flexibility in convening general meetings under unforeseen circumstances.

³ In February 2022, physical general meetings at public event premises were temporarily suspended in Hong Kong under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation' (Cap 599F).

⁴ Core Standard 14, Appendix 3 to the Main Board Rules/ the GEM Rules.

⁵ See [Guide on General Meeting](#)

Reminder on information required in AGM circulars

As issuers are publishing AGM circulars in preparation of their AGMs, we draw your attention to the following information that should be considered or disclosed in the circulars:

Re-election of long serving independent non-executive directors (INEDs)

Issuers proposing to re-elect INEDs who have served the board for more than nine years are reminded to disclose, under the revised Corporate Governance Code effective 1 January 2022⁶, why the board or the nomination committee believes that the INEDs are still independent.

Where all the INEDs have served more than nine year on the board, issuers should also disclose the length of tenure of each INED on a named basis.

Issuers who have published their AGM circulars and omitted the above information are required to provide reasons for the omission in their subsequent interim and annual reports under the “comply or explain” requirement of the Corporate Governance Code.

Selection, appointment and reappointment of auditors

In December 2021, the Financial Reporting Council published guidelines⁷ for listed issuers’ audit committees to establish a robust process for selecting, appointing and reappointing auditors, highlighting audit quality and audit fees as two key considerations.

Issuers and their audit committees may refer to these guidelines.

Profile on long suspended companies

The delisting Rules allow long suspended companies a remedial period to resolve regulatory issues before a listing is cancelled, with the objective of incentivising companies to rectify issues and resume trading, and to maintain the quality of companies on our market by delisting companies that are unsuitable for listing. We provide below a profile of companies that became long suspended and the resolution of these matters:

As at 30 April 2022, there were 100 long suspended companies. Their initial reasons for trading suspensions included:

- 41 issuers for not publishing financial results that were agreed with auditors;
- 29 issuers for suspected corporate or accounting irregularities;
- Five issuers as their auditors disclaimed their audit opinions for matters related to valuations of assets, provisions of liabilities and limited access to accounting records;

- 21 issuers for various reasons including failure to maintain sufficient operations, severe financial difficulties (e.g. provisional liquidators appointed) or insufficient public float; and
- Four issuers for the SFC’s direction for suspension under the Securities and Futures (Stock Market Listing) Rules.

In 2021, 68 long suspended companies resumed trading or were delisted:

- 32 issuers successfully resolved regulatory issues (mainly involving delays in releasing audited financial results) and resumed trading; and
- 36 issuers were delisted as they failed to resolve regulatory issues by the resumption deadline. A large majority of these issuers failed to publish the outstanding financial results with unresolved corporate or accounting irregularities and issues of management integrity.

⁶ See Code Provisions B.2.3 and B.2.4, in Appendix 14 to the Main Board Rules/ Appendix 15 to the GEM Rules.

⁷ [Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors](#)

Rule amendments consequential to the SFC's new requirements on bookbuilding and placing activities

In April 2022 we published the [Information Paper on Rule Amendments on Bookbuilding and Placing Activities in Equity Capital Market Transactions and Sponsor Coupling to Complement the SFC's New Code of Conduct Provisions and Housekeeping Rule Amendments](#). The information paper outlines consequential Listing Rule amendments to complement the new SFC Code of Conduct requirements applicable to issuers and intermediaries involved in bookbuilding and placing activities.

While the majority of amendments will affect new listing applicants, listed issuers should take note of the requirement that, in the case of a placing of equity

securities involving bookbuilding activities, the issuers must appoint capital market intermediaries under written engagement agreements before the intermediaries conduct such bookbuilding and placing activities.

We also introduce housekeeping Rule amendments to (i) unify the Main Board and GEM websites; (ii) facilitate the payment of listing fee by way of electronic bank transfer as another means of payment; and (iii) introduce a new headline category for company information sheets published by issuers on the HKEXnews website.

The Listing Rule amendments will take effect on 5 August 2022⁸.



⁸ The unification of the Main Board and GEM website will take place on or around 28 May 2022.

Reorganisation of the Listed Issuer Regulation Department

In January 2022, we reorganised our teams by industry groups, special chapter companies (e.g. Chapters 18A, 19C, SPACs), and controlling groups.

This organisation better aligns with our risk-based approach to regulating issuers, allowing us to take prompt action when dealing with matters affecting issuers in particular industry groups, while ensuring that consistent treatments are applied in handling such matters. Our case officers will also develop knowledge in best practices for particular industries under this arrangement.

Issuers and advisers may visit the [Contact Persons for Listed Companies](#) page of the Exchange's website for a list of responsible case officers.



We have recently published the following new guidance materials:

- [GL111-22](#) (1 January 2022) provides guidance to overseas issuers on compliance with the Listing Rules including, among other things, Core Shareholder Protection Standards.
- [GL112-22](#) (1 January 2022) provides guidance on change of listing status from secondary listing to dual-primary or primary listing on the Main Board.
- Guidance in relation to Special Purpose Acquisition Companies¹⁰ (SPACs):
 - [GL113-22](#) (1 January 2022) provides guidance on SPACs with, or seeking, a listing on the Exchange.
 - [GL114-22](#) (4 March 2022) provides guidance on the qualifications and obligations of a trustee / custodian regarding the operation of the escrow account of a SPAC.
- [FAQ No. 076-2022](#) (1 January 2022) on PRC issuers appointing overseas audit firms to carry out engagements in relation to acquisition of overseas companies.
- [Revised Listing e-Forms and guidelines](#) on directors' and supervisor' declaration, undertaking and acknowledgement (Main Board issuers - DU003M/ DU004M/ DU005M and GEM issuers - DU003G/ DU004G / DU005G)
- [New e-learning module](#) (28 January 2022) on trading arrangements for corporate actions.

⁹ As at 30 April 2022, two issuers have announced their intention to convert their secondary listing to primary listing on the Exchange.

¹⁰ As of 30 April 2022, there was one newly listed SPAC.

We welcome your feedback.

Please send your thoughts and comments to listingnewsletter@hkex.com.hk