

[Latham & Watkins Capital Markets Practice](#)

20 January 2025 | Number 3325

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Key Regulatory Updates for Hong Kong Listed Companies — November/December 2024

The updates include market consultation, consultation conclusions and various guiding materials by the HKEX, and bills for amendments to the Companies Ordinance by the Hong Kong government.

In November and December 2024, key regulatory updates for Hong Kong listed companies included conclusions of the consultation papers on the Corporate Governance Code enhancements and the reduction of minimum spreads in the Hong Kong securities market, the market consultation on optimising IPO price discovery and open market requirements, and various new guiding materials by Hong Kong Exchanges and Clearing Limited (HKEX) (or its subsidiary, The Stock Exchange of Hong Kong Limited (Stock Exchange)). Additionally, the Hong Kong government gazetted two Companies (Amendment) Bills 2024, facilitating treasury share management and company re-domiciliation.

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Consultation Conclusions and Consultation Paper by the Stock Exchange

1. Conclusions on Corporate Governance Code Enhancements

In December 2024, the Stock Exchange published the [consultation conclusions](#) following its publication of the [Consultation Paper](#) on the Review of the Corporate Governance Code and Related Listing Rules in June 2024. The Stock Exchange will implement the proposals from the Consultation Paper to amend the CG Code in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules) and certain relevant provisions of the Listing Rules. Modifications to certain proposals have been made in response to market feedback, with details provided in the Consultation Conclusions. The new rules will come into effect on 1 July 2025. However, there will be transition periods of three years for the cap on “overboarding” and six years for the tenure limit of independent non-executive directors (INEDs). The Stock Exchange will issue further guidance in the first half of 2025 to assist listed issuers in complying with the new rules.

For further details, please refer to our [Client Alert](#) on the Consultation Conclusions.

2. Consultation Paper on Proposals to Optimise IPO Price Discovery and Open Market Requirements

The Stock Exchange published a [consultation paper](#) seeking market feedback on proposals to optimise IPO price discovery and open market requirements on 19 December 2024. The consultation will end on 19 March 2025.

The Stock Exchange considers the proposals as a holistic reform of its regulatory framework relating to the IPO price discovery process and open market requirements. It proposes to optimise the price discovery process for IPOs and increase the participation of “price setting” investors, and to review the requirements for “open market”. Although there is no official timetable for implementing the new requirements, the adoption of the proposals is expected to significantly affect the IPO offering structure in the future.

The key proposals include the following:

| | Subject | Key proposals | | | | | | | | | |
|---------------------------------|--|--|------|--|--|---|----------------|-----|---|-----------------------------------|--|
| Open Market Requirements | | | | | | | | | | | |
| 1. | Calculation of public float | <p>Determine public float percentage normally by reference to the total number of securities of that class only.</p> <p>In the case of a PRC issuer with other shares in the class to which H shares belong (e.g., A shares or unlisted shares), only the H shares held by the public would be included in the numerator, while the A shares or unlisted shares (as the case may be) would, however, be included in the denominator.</p> | | | | | | | | | |
| 2. | Initial public float | <p>Tiered initial public float thresholds (ranging between 5% and 25%) of the relevant class of securities new to listing, except for A+H issuers (and other prescribed types of issuers), for whom bespoke initial public float thresholds apply.</p> <table border="1"> <thead> <tr> <th>Tier</th> <th>Expected market value of the relevant class of securities at the time of listing</th> <th>Minimum percentage of such class of securities to be held in public hands at the time of listing</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>≤HK\$6 billion</td> <td>25%</td> </tr> <tr> <td>B</td> <td>>HK\$6 billion to ≤HK\$30 billion</td> <td>The higher of (1) the percentage that would result in the expected market value of such securities in public hands to be HK\$1.5 billion at the time of listing; and (2) 15%</td> </tr> </tbody> </table> | Tier | Expected market value of the relevant class of securities at the time of listing | Minimum percentage of such class of securities to be held in public hands at the time of listing | A | ≤HK\$6 billion | 25% | B | >HK\$6 billion to ≤HK\$30 billion | The higher of (1) the percentage that would result in the expected market value of such securities in public hands to be HK\$1.5 billion at the time of listing; and (2) 15% |
| Tier | Expected market value of the relevant class of securities at the time of listing | Minimum percentage of such class of securities to be held in public hands at the time of listing | | | | | | | | | |
| A | ≤HK\$6 billion | 25% | | | | | | | | | |
| B | >HK\$6 billion to ≤HK\$30 billion | The higher of (1) the percentage that would result in the expected market value of such securities in public hands to be HK\$1.5 billion at the time of listing; and (2) 15% | | | | | | | | | |

| | | | | |
|---|--|--|------------------------------------|--|
| | | C | >HK\$30 billion to ≤HK\$70 billion | The higher of (1) the percentage that would result in the expected market value of such securities in public hands to be HK\$4.5 billion at the time of listing; and (2) 10% |
| | | D | >HK\$70 billion | The higher of (1) the percentage that would result in the expected market value of such securities in public hands to be HK\$7.0 billion at the time of listing; and (2) 5% |
| 3. | Ongoing public float | <p>Seek market views on the appropriate ongoing public float requirements, including whether issuers should be allowed additional flexibility to maintain a lower public float level after listing.</p> <p>Seek market views on whether an OTC market should be established in Hong Kong to enable trading in securities including the shares of issuers that have been delisted for reasons including a failure to meet ongoing public float requirements.</p> <p>Disclose actual public float percentage in annual reports.</p> | | |
| 4. | Free float (new requirement) | <p>Minimum free float at the time of listing must (1) represent at least 10% of the total number of issued shares in the class for which listing is sought, with an expected market value of at least HK\$50 million; or (2) have an expected market value of at least HK\$600 million.</p> | | |
| 5. | A+H issuers | <p>For a new applicant that is a PRC issuer with other listed shares (such as an A+H issuer), the H shares for which listing is sought on the Stock Exchange must either (1) represent at least 10% of the total number of shares in the class to which H shares belong (excluding treasury shares); or (2) have an expected market value of at least HK\$3 billion at the time of listing.</p> <p>For a new applicant that is an issuer with other share class(es) listed overseas, the class of shares for which listing is sought on the Stock Exchange must either (1) represent at least 10% of the total number of issued shares (excluding treasury shares); or (2) have an expected market value of at least HK\$3 billion at the time of listing.</p> | | |
| IPO Pricing and Offering Mechanism | | | | |
| 6. | Regulatory lock-up on cornerstone investment | <p>Consult on either (1) retaining the current six-month lock-up period; or (2) allowing staggered lock-up releases (50% after three months from listing, and the remaining 50% after six months from listing).</p> | | |
| 7. | Placing tranche | <p>Minimum 50% allocation (of shares initially on offer) to bookbuilding placing tranche (except for Specialist Technology Companies).</p> <p>Remove the requirements that there be (a) not fewer than three holders to each HK\$1 million placed; and (b) a minimum of 100 holders in an IPO placing tranche.</p> | | |

| | | |
|--------------------------------------|-------------------------------|--|
| 8. | Public subscription tranche | Provide two options: (1) initially allocate 5% of its offer shares to the public subscription tranche, subject to a clawback mechanism that increases the allocation to up to 20% (as compared to the current requirement of a clawback mechanism of up to 50%), or (2) initially allocate a minimum of 10% of its offer shares to the public subscription tranche, with no clawback mechanism (not available to Specialist Technology Companies). |
| Pricing Flexibility Mechanism | | |
| 9. | Pricing flexibility mechanism | Permit upward pricing flexibility of up to 10% above top of offer price range, and consult on either (a) retaining the current requirement that the top of the initial offer price range must be set at not more than 30% of the bottom of that range; or (b) amending the current requirement to require the top of the initial offer price range to be set at not more than 20% of the bottom of that range. |

3. Conclusion on Reduction of Minimum Spreads in Hong Kong Securities Market

The HKEX published a [consultation paper](#) seeking views and comments on the proposed reduction of minimum spreads in the Hong Kong securities market in June 2024. On 17 December 2024, the HKEX published [conclusions](#) for this consultation.

Having considered feedback from the consultation, the HKEX will proceed with its proposal to reduce minimum spreads of the applicable securities in two phases. To provide adequate preparation time, Phase 1 will be implemented in mid-2025, while Phase 2 will be implemented in mid-2026, subject to a review of Phase 1's results.

| | Phase 1 | | | Phase 2 | | |
|------------------------------|---|--------------------------------|---------------------------|---|--------------------------------|---------------------------|
| Launch date | Mid-2025 | | | Mid-2026, subject to the assessment results of Phase 1 implementation | | |
| Lead time | At least six months lead time will be provided to the market before the implementation of Phase 1 and Phase 2 | | | | | |
| Applicable securities | Equities, real estate investment trusts (REITs), equity warrants, and all other securities, excluding exchange traded products (ETPs), debt securities, exchange traded options (ETOs), and structured products | | | | | |
| Spread table changes | Price band | Original minimum spread | New minimum spread | Price band | Original minimum spread | New minimum spread |
| | \$10–\$20 | \$0.02 | \$0.01 (-50%) | \$0.5–\$10 | \$0.01 | \$0.005 (-50%) |
| | \$20–\$50 | \$0.05 | \$0.02 (-60%) | | | |

Guidance Materials, Listing Decisions, and FAQs by the Stock Exchange

1. New Guidance Letter on Investigations Conducted by Long Suspended Issuers ([GL120-24](#))

This new guidance letter provides guidance to directors of long suspended issuers in investigations of material accounting or corporate irregularities. The Stock Exchange expects that directors should provide full cooperation and assistance in the investigation. They should take adequate steps to preserve relevant evidence and facilitate access to evidence by investigators.

The issuers should also set up an independent committee for the investigation, responsible for the selection of investigator(s), as well as planning, monitoring, assessing, and reporting on an investigation. Members of the committee should exclude directors whose independence may be reasonably questioned including, among others, those who might have been involved in or aware of the irregularities at the material time. If accounting irregularities are involved, the independent committee should include at least one incumbent director with appropriate professional qualifications or accounting or related financial management expertise.

On matters relating to the investigation, the independent committee should not engage or otherwise seek advice from advisers who (1) act for the issuer, its connected persons, or persons/entities involved in or are aware of the irregularities, or (2) have been involved in a transaction or arrangement relating to the irregularities.

Issuers must timely announce the findings of the irregularity and the assessment of the issues by the independent committee and the board. They shall also announce the remedial actions and the implementation timeline. For an incomplete investigation within the remedial period, or any intention of not taking remedial action recommended by the independent committee, appropriate disclosure must be announced with reasons.

2. Revised Guidance Letter on Long Suspension and Delisting ([GL95-18](#))

This guidance letter provides guidance to long suspended issuers on the operation of the delisting framework under the Listing Rules, their general obligations and the Stock Exchange's regulatory actions during the resumption process, and guidance specific to certain types of suspension cases.

The key amendment on this guidance letter is to remove guidance on time extension request for reasons related to the COVID-19 pandemic.

3. Exchange Releases Results of Review of Issuers' 2023 Annual Reports and Publishes New Guide on Preparing Annual Report

The Stock Exchange has released a [report](#) on the findings and recommendations of its review of issuers' annual reports for the 2023 financial year-end. In its review report, the Stock Exchange found that issuers continued to achieve a high rate of compliance with the disclosure rules and accounting standards. The 10 disclosure rules with the lowest compliance rates, ranging from 79% to 91%, mainly relate to share schemes and significant investments.

In conjunction with the publication of the review report, the Stock Exchange has published a [Guide on Preparation of Annual Report](#) (the AR Guide), which summarises prevailing recommendations from the Stock Exchange's previous reviews as well as all disclosure rules applicable to annual reports, to facilitate issuers in preparing future annual reports. The AR Guide comprises three sections:

- Section 1 provides all the disclosure requirements for annual reports under the Listing Rules and related guidance materials published by the Stock Exchange.
- Section 2 contains prevailing recommended disclosure in seven specific areas from the Stock Exchange's thematic review, including financial statements with auditors' modified opinions, management discussions and analysis, material asset impairments, material lending transactions, performance guarantees, newly listed issuers, and biotech companies.
- Section 3 summarises the guidance for financial disclosure under prevailing requirements (including specific accounting standards).

Listed issuers may refer to the AR Guide to prepare their annual reports.

4. Listing Regulation and Enforcement Newsletter (Issue 11)

Introducing the Listing Regulation and Enforcement

- Effective 1 October 2024, the Listed Issuer Regulation and Listing Enforcement departments have merged to form a new department called Listing Regulation and Enforcement.

Convertible Bond Offerings With Concurrent Share Buyback

- The Stock Exchange has engaged with market participants and explored whether primary-listed issuers may adopt the concurrent share buyback structure for convertible bond (CB) offerings.
- As background, professional investors such as hedge funds and arbitrage investors are the main investor groups in CB offerings. In line with their investment strategies, they would hedge their exposure under the CBs by short selling shares of the issuers. From time to time, issuers in overseas markets (for instance the United States) would purchase the shorted shares to facilitate the investors' hedging. This concurrent share buyback would not only enable investors' participation in the CB offerings, but, more importantly, ease the downward pressure on the share price due to the creation of short positions through the short-selling activities that coincide with the CB offerings.
- Primary-listed issuers are subject to the 30-day moratorium between any new issue and share buyback under Rule 10.06(3) of the Listing Rules. The Stock Exchange welcomes primary-listed issuers to consult with the Stock Exchange on any proposed concurrent share buyback at an early stage, so that it can assess the specific circumstances on a case-by-case basis and provide its prompt feedback.

The Delisting Rules

- Important reminders for suspended issuers and their boards:
 - Directors' continuing obligations to procure suspended issuers to comply with the rules and act promptly and proactively throughout the remedial period to remedy any issues for a resumption of trading.
 - Keep the market appropriately informed of business operations and resumption progress during suspension.
 - Reviews of the Listing Committee's delisting decisions by the Listing Review Committee will be processed without delay.

- Keep abreast of relevant guidance from the Stock Exchange.

Reminders on Planning for Upcoming Audit

- The Stock Exchange reminds issuers to review the audit quality of their auditors, by considering the findings by the regulatory authorities in recent sanctions on some auditors and in a due and timely fashion. It further emphasizes that issuers bear the ultimate responsibility for the integrity of their accounts and reporting systems.

Designation of Authorised Representatives

- The Stock Exchange encourages issuers to review their authorised representatives' designations from time to time and to ensure effective and efficient communication channels and protocols are in place.

5. 2024 Analysis of ESG Practice Disclosure

The Stock Exchange published the [2024 Analysis of ESG Practice Disclosure](#) in November 2024. It finds that over 91% of the issuers achieved compliance for all aspects of the ESG reports, except for labour standards. It also revealed the statistics of climate-related disclosures by LargeCap Issuers (i.e., the Hang Seng Composite LargeCap Index constituents).

The Stock Exchange recommends issuers take prompt action to prepare for the new climate requirements, including familiarising themselves with the new requirements, considering sufficiency of recourses, conducting a gap analysis, and engaging with value chain entities.

6. Updated FAQs

The following frequently asked questions have been updated in November and December 2024:

| | |
|--|---|
| FAQ10 (Continuing Obligations) | <p>Question No.3A (New release)</p> <p><i>3A. A listed issuer plans to publish a profit warning or alert announcement to inform the market of an expected change in the net profit or loss of its group for the current year or interim period. Should the issuer also disclose the expected change in the “profit or loss attributable to shareholders”?</i></p> <p>The issuer should observe the general disclosure principle in MB Rule 2.13 / GEM Rule 17.56. If profit or loss figures are disclosed, the mere disclosure of the expected profit or loss for a financial period or the expected changes in profit or loss across the reporting periods might be confusing or misleading in some circumstances (for example, when the issuer expects to record a profit for the financial period but a loss attributable to shareholders, or when the profit or loss attributable to shareholders is expected to change in the opposite direction as compared to the trend shown by the profit or loss for the financial period.) In such circumstances, the issuer should also consider disclosing information on the expected profit or loss attributable to shareholders as this would provide a clearer picture of the impact on the shareholders' interests in the issuer by excluding the portion attributable to other entities.</p> |
| FAQ17.3 (Model Code for Securities transactions by | <p>Question 12 (New release)</p> <p><i>12. A listed issuer has repurchased its shares on the exchange for holding in treasury. One of its directors is taken to have an interest in those treasury shares for the purpose of Part</i></p> |

| | |
|--|---|
| directors of listed issuers) | <p><i>XV of the SFO as the director is also a shareholder that controls over one-third of the voting power at general meetings of the issuer. In this situation, would the share repurchase or any subsequent sale, transfer, or cancellation of the treasury shares by the issuer constitute a dealing in the issuer's shares by the director under the Model Code?</i></p> <p>No, if the director has an interest in those treasury shares only because of his shareholding in the issuer.</p> <p>The Model Code is not intended to apply to an issuer's holding or cancellation of its treasury shares, or its share repurchase, issuance of new shares, or sale or transfer of its treasury shares conducted with persons independent of its directors. That said, directors are still required to observe the general principle under the Model Code that they must not make any unauthorised disclosure of confidential information to other persons (even those to whom they owe a fiduciary duty) or make any use of such information for the advantage of themselves or others. They must ensure that the issuer complies with the Listing Rule requirements applicable to the transactions, including the dealing restrictions and moratorium periods set out in MB Rules 10.06(2) and (3) and 10.06A / GEM Rules 13.11, 13.12, 13.12A, and 13.14A.</p> |
| FAQ 17.2 (Environmental, social, and governance reporting code) | <p>New release of Questions 16–20 on climate-related disclosures</p> <p>Updated answers for Questions 1, 2, 5, 7, 9, 10, and 15</p> |

7. Updates of Listing e-Forms and Form Filling Guides for New Applicants

The following e-forms have been updated in November and December 2024:

| | e-Forms |
|-----------------------------------|---|
| For New Listing Applicants | |
| Main board new applicants | <ul style="list-style-type: none"> • M119 (Additional Information to be submitted with Pre-IPO Enquiry / Form A1 / Form 5A) • SE001 (Sponsor and Sponsor-Overall Coordinator Engagement Notification (to be submitted together with the sponsor engagement letter)) • M103 (Listing Application Form (For Equity Securities and Debt Securities) (MB Regulatory Forms, Form A1, originally Appendix 5, Form A1)) • M201 (New listing particulars) |
| GEM new applicants | <ul style="list-style-type: none"> • G118 (Additional Information to be submitted with Pre-IPO Enquiry / Form A1 / Form A) |

| | |
|---------------------------|---|
| | <ul style="list-style-type: none"> • SE001 (Sponsor and Sponsor-Overall Coordinator Engagement Notification (to be submitted together with the sponsor engagement letter)) • G103 (GEM Board: IPO - Form A - Listing Application Form (Equity Securities of an issuer no part of whose share capital is already listed) (GEM Regulatory Forms, Form A, originally Appendix 5, Form A)) • G201 (GEM Board: IPO - New listing particulars) |
| For Listed Issuers | |
| Main Board issuers | <ul style="list-style-type: none"> • FF301 (Monthly Return e-Form for Equity Issuers and Hong Kong Depository Receipts listed under Chapter 19B of the Exchange Listing Rules) • FF302 (Monthly Return e-Form for Collective Investment Schemes listed under Chapter 20 of the Exchange Listing Rules (other than listed open-ended Collective Investment Schemes)) |
| GEM issuers | <ul style="list-style-type: none"> • FF301 (Monthly Return e-Form for Equity Issuers and Hong Kong Depository Receipts listed under Chapter 19B of the Exchange Listing Rules) |

Other Regulatory Updates

1. Companies (Amendment) Bills 2024

The Hong Kong government published in the Gazette on 22 November 2024 and 20 December 2024 the Companies (Amendment) Bill 2024 (Bill No.1) and the Companies (Amendment) (No. 2) Bill 2024 (Bill No.2), respectively.

[Bill No. 1](#)

By way of background, the Stock Exchange amended its rules to allow an implied consent regime for paperless corporate communication, effective 31 December 2023, and to permit the holding and resale of treasury shares starting 11 June 2024. However, due to existing legal constraints under Hong Kong law, issuers incorporated in Hong Kong cannot take advantage of these amended rules until the necessary legislative changes are enacted. Bill No.1 proposes to allow listed companies incorporated in Hong Kong to hold shares as treasury shares upon repurchase. These companies would then be able to cancel, transfer, or sell such treasury shares on or off the exchange to any person at any time, subject to certain restrictions. Additionally, the Bill seeks to enable companies to adopt an implied consent mechanism for disseminating corporate communication via a website, while implementing sufficient safeguards to protect shareholders' interests.

[Bill No.2](#)

Bill No.2 proposes to introduce a company re-domiciliation regime to enable non-Hong Kong-incorporated companies to re-domicile to Hong Kong while maintaining their legal identities as a body corporate and ensuring business continuity without the need to go through complicated and costly judicial procedures. To ensure the integrity of the re-domiciled companies, applicants must fulfill the requirements concerning

general background, integrity, member and creditor protection, and solvency, etc. Generally speaking, re-domiciled companies will have the same rights as any locally incorporated companies of their kind in Hong Kong, and will be required to comply with the requirements under the Companies Ordinance.

The government has conducted a public consultation, and consulted the Legislative Council Panel on Financial Affairs in 2023. The proposal is unanimously supported by the general public and the market. In July 2024, the government announced the consultation conclusion with the legislative proposal incorporating views collected from the consultation exercise as appropriate.

2. Roadmap on Sustainability Disclosure in Hong Kong: Ambition. Assurance. Enablement

The Hong Kong government launched a [roadmap](#) on sustainability disclosure in Hong Kong. The roadmap sets out Hong Kong's approach to require publicly accountable entities (PAEs) to adopt the International Financial Reporting Standards - Sustainability Disclosure Standards (ISSB Standards). PAEs shall include (a) entities whose securities are traded in a public market or entities in the process of issuing securities for trading in a public market; and (b) entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses and have a significant weight in the jurisdiction, regardless of their ownership structure or listed status.

Key points of the roadmap are as follows:

- The Hong Kong Institute of Certified Public Accountants (HKICPA) is developing the Hong Kong Standards on a full alignment basis with the ISSB Standards. Following a public consultation on the Exposure Drafts which indicates general support, the HKICPA aims to issue the final Hong Kong Standards by the end of 2024 with an effective date of 1 August 2025.
- All Main Board issuers are required to disclose against the New Climate Requirements modelling on International Financial Reporting Standards S2 Climate-related Disclosures on a “comply or explain” basis starting from 1 January 2025. Issuers that are Hang Seng Composite LargeCap Index constituents are further required to disclose against the New Climate Requirements on a mandatory basis starting from 1 January 2026. The Stock Exchange will consult the market in 2027 on mandating sustainability reporting against the Hong Kong Standards for listed PAEs with an expected effective date of 1 January 2028, under a proportionate approach.
- Relevant financial regulators will require financial institutions carrying a significant weight (non-listed PAEs) to apply the Hong Kong Standards no later than 2028.

Disciplinary Actions by the Stock Exchange

1. Disciplinary Action Against Kaisun Holdings Limited (Stock Code: 8203) (Kaisun) and Seven Directors

The Stock Exchange censured Kaisun and imposed a prejudice to investors' interests statement on two executive directors and censured several directors and former directors.

Facts

Kaisun advanced loans and made payments totaling HK\$39.3 million to Up Energy Development Group Limited, which was undergoing liquidation. Additionally, Kaisun acquired shares in EJE (Hong Kong) Holdings Limited and Tesson Holdings Limited without proper disclosure or shareholder approval. Kaisun failed to comply with the GEM Rules by not disclosing these transactions and seeking prior approval from its shareholders.

Findings of Breach

Kaisun breached GEM Rules 19.34 and 19.40 by failing to announce and obtain shareholder approval for the transactions. The directors breached GEM Rule 5.01 and their undertakings by not ensuring compliance and protecting company assets. An executive director and a former executive director breached GEM Rule 5.20 as compliance officers.

The key messages from the Stock Exchange are that directors must exercise skill, care, and diligence when entering into transactions. This should include careful consideration of the risks, particularly when the risks are evidently high. Following any non-compliance with the Listing Rules, the directors must proactively take steps to remediate and to ensure future compliance.

For details, please see the [Statement of Disciplinary Action](#).

2. Disciplinary Action Against a Current Director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) (Tenfu)

The Stock Exchange censured Mr. Tseng Ming-Sung, a non-executive director of Tenfu, and further directed him to attend training.

Facts

- Mr. Tseng executed purchase orders in respect of 2,381,000 shares of Tenfu between 1 and 29 December 2023. Some purchases were part of the company's share repurchase scheme while others were on behalf of the substantial shareholders. The trades represented 25–100% of the daily turnover of the company's shares in this period.
- Mr. Tseng admitted that he did not inform the company about his dual roles, and took no other steps to manage this conflict of duty. He submitted that he received no benefit from the substantial shareholders.
- After the Stock Exchange contacted Mr. Tseng regarding this issue, Mr. Tseng took remedial action by disclosing his dual roles to the company and ceasing to conduct any trades on behalf of the substantial shareholders.

Findings of Breach

- The Listing Committee found that Mr. Tseng breached Rule 3.08 by failing to take any steps to avoid, manage, or disclose to Tenfu the conflict arising from his agreement to purchase the company's shares on behalf of its substantial shareholders.

For further details, please refer to the [Statement of Disciplinary Action](#).

3. Disciplinary Action Against a Former Director of Cathay Group Holdings Inc. (Stock Code: 1981)

The Stock Exchange imposes a director unsuitability statement and censure against Mr. Yan Xiang, a former director of Cathay Group Holdings Inc. (formerly known as Cathay Media and Education Group Inc.), for his failure to discharge his responsibilities as a director and to cooperate with the Listing Division's investigation.

The Listing Committee reminds directors that their obligation to provide information reasonably requested by the Stock Exchange does not lapse after an issuer ceases to be listed on the Stock Exchange or after they cease to be directors of a listed issuer.

For details, please see the [Statement of Disciplinary Action](#).

4. Disciplinary Action Against a Former Director of Christine International Holdings Limited (Stock Code: 1210) (Christine International) (November 2024)

The Stock Exchange imposed a Director Unsuitability Statement and censure against Mr. Dun-Ching Hung, a former non-executive director of Christine International, with further directives concerning the potential cancellation of the listing of the company's shares if Mr. Hung remains in a directorial or senior management position of the company and/or any of its subsidiaries upon the expiry of 14 days from the date of the Statement of Disciplinary Action.

Facts

- On 1 December 2022, the Stock Exchange publicly censured Mr. Hung and directed him to complete 15 hours of training within 90 days and provide evidence of compliance within two weeks post-completion (Training Direction). Mr. Hung failed to comply with this Training Direction. During an investigation into his compliance with the Listing Rules, Mr. Hung did not provide any substantive response to the investigation and reminder letters sent by the Stock Exchange.

Findings of Breach

- The Listing Committee found that Mr. Hung breached the Training Direction. His breach was deemed intentional and egregious, demonstrating a serious disregard for the Training Direction. Consequently, the committee concluded that Mr. Hung is unsuitable to serve as a director of the company.

For further details, please refer to the [Statement of Disciplinary Action](#).

Enforcement Actions by the Courts and the Securities and Futures Commission (SFC)

1. Verdict on Fraud Over Secret Backdoor Listing

Chim Pui-chung, a former substantial shareholder of Asia Resources Holdings Limited (Asia Resources), and Ricky Chim Kim-lun, its former chairman and Chim Pui-chung's son, were convicted after a trial in the District Court of conspiring with a businessman to defraud the Stock Exchange, Asia Resources, and its board of directors and shareholders by concealing a secret "backdoor listing" agreement in a capital-raising exercise. The court had earlier issued a warrant for the arrest of the businessman, Ma Zhonghong, who failed to attend the court hearing.

In July 2013, Chim Pui-chung and Ricky Chim negotiated with Ma in private a "backdoor listing" agreement selling the control of Asia Resources to Ma. On the basis that the entire 100% shareholding of Asia Resources would cost \$300 million, the trio made an agreement for Ma to pay Chim Pui-chung a sum of about \$210 million to control 70–75% of the entire issued share capital of Asia Resources (the backdoor listing agreement).

In order to execute the backdoor listing agreement, Ricky Chim, as the chairman of Asia Resources, chaired two board meetings in late July and early August 2013. At the meetings, directors of Asia Resources resolved and approved to proceed with placing new shares and issuing convertible notes to raise funds of over \$550 million (capital-raising exercise). Ricky Chim, who voted on both occasions, declared that he did not have any interest in the capital-raising exercise and he had never disclosed the

backdoor listing agreement to Asia Resources. The placing of new shares in the capital-raising exercise was completed in late July 2013.

In mid-August and mid-September 2013, Asia Resources published an announcement and a circular in relation to the issuance of convertible notes in the capital-raising exercise. The announcement and circular stated that no directors and shareholders had a material interest in the issuance of convertible notes, and no shareholders were required to abstain from voting in the special general meeting concerned. At the special general meeting on October 3, 2013, Chim Pui-chung voted for the issuance of convertible notes. The resolution was eventually passed by shareholders.

The court heard testimony that Chim Pui-chung and Ricky Chim had concealed from the Stock Exchange the purpose of the capital-raising exercise, which was to increase the entire issued share capital of Asia Resources, thereby facilitating the execution of the backdoor listing agreement, causing the Stock Exchange to approve the publication of the announcements and circulars in relation to the capital-raising exercise by Asia Resources.

2. SFC Sanctions Zuo Ping for Breaches of the Takeovers Code

The SFC publicly censured and imposed a six-year cold shoulder order against Ms. Zuo Ping for breaching the mandatory general offer obligation under the Takeovers Code.

Facts

- Ms. Zuo made a number of acquisitions and disposals of shares in CBK Holdings Limited (CBK) on the market from 2 to 20 November 2023. Her shareholding interest in CBK consequently increased from 0% to 30.22%, triggering a mandatory general offer obligation under Rule 26.1 of the Takeovers Code. She further increased her shareholding to 30.93% by acquiring 740,000 shares from 24 to 28 November 2023. Ms. Zuo did not notify CBK of these acquisitions at the material time or make timely disclosure in accordance with Part XV of the Securities and Futures Ordinance (Cap. 571) (SFO).
- Ms. Zuo claimed that her breach of Rule 26.1 of the Takeovers Code was inadvertent and she had no intention to make a general offer because of insufficient financial resources.
- At the time of the breach, Ms. Zuo held directorships in two controlling shareholders of the parent company of a licensed corporation and indirectly held a substantial shareholding interest (as defined under the SFO) in the licensed corporation.

Conclusion

- The SFC publicly censured and imposed a six-year cold shoulder order against Ms. Zuo Ping as mentioned above.
- Ms. Zuo's conduct fell short of the standards expected of her and amounts to a disregard of one of the most fundamental provisions of the Takeovers Code, which merits strong disciplinary action. Ms. Zuo breached the mandatory general offer obligation under Rule 26.1 of the Code on Takeovers and Mergers. She has accepted the disciplinary action.

For further details, please refer to the [Executive Decisions and Statements](#).

Conclusion

In conclusion, the regulatory updates and guidance issued in November and December 2024 reflect a concerted effort to enhance the corporate governance framework and market efficiency for Hong Kong-listed companies. The Stock Exchange's consultation conclusions and new guiding materials, alongside the Hong Kong government's legislative amendments, underscore a commitment to fostering a transparent, diverse, and resilient market environment. These changes are poised to significantly impact corporate practices, requiring companies to adapt swiftly to new compliance standards. As these developments unfold, stakeholders are encouraged to stay informed and proactive in aligning with the evolving regulatory landscape.

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