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Ms Christine Kan  
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Dear *Christine*

Handling of Suspended Companies

It has recently come to our attention that the very depressed economic situation of Hong Kong has caused difficulty for certain suspended companies and those classified as not fulfilling Listing Rule 13.24 (aka 13.24 companies) in implementing a business revival plan or re-complying with Rule 13.24.

Needless to say, the social unrest that started in June 2019 and the COVID-19 outbreak from February 2020 have greatly plagued the economy of not just Hong Kong but around the world. This brought serious disruption to business activities and created a high degree of uncertainty to the prospects of business. The adverse effects on the economy are apparent. According to the latest estimates by the Government, there is a year-on-year contraction of 9.0% in real terms in the second quarter of 2020. With dwindling domestic consumption and shrinking exports due to strained foreign and trade relations between the mainland and the U.S., businesses across the board suffer.

Under these circumstances, companies struggle to maintain their business at the present level, let alone reviving it or finding fresh capital. New investors are cautious, if not reluctant, to make new investments. Suspended companies, in particular, worry that they would not be able to revive their business before the 18-month period lapses despite their best intention and efforts, and be subject to delisting.

We therefore write to urge the Exchange to give special consideration to the economic and investment climate when dealing with suspended companies or dispensing suspension notice to 13.24 companies.

Besides the harsh market conditions, companies often find it hard to cope with the Exchange's threshold for business revival or continuing listing. There are instances where fund raising proposals by 13.24 companies would be denied; or companies receiving suspension notices based on Exchange's perception on the viability of the



business strategies, which sometimes disregarded the commercial reality of the companies concerned.

While the Chamber does not know the specifics of each case nor we intend to argue the case for any individual company, we would like to highlight the companies' predicament. We hope that the Exchange could maintain a balance between maintaining market quality and giving companies room to exercise their commercial discretion. We welcome the Exchange to mandate more disclosures by these companies so that the market can decide to trade in their shares or not as they see fit. As always, we believe a disclosure-based regime with minimal (or at least less forthright) regulator intervention is highly merited.

Delisting a company should not be a goal of the Exchange. We could not stress enough how disastrous it is for minority shareholders to have their investment value wiped out completely. Unlike the U.S., Hong Kong does not have facilities like the Over-the-Counter Bulletin Board or Pink Sheets, which allow companies not fulfilling proper listing requirements to trade, hence preserving some value for minority shareholders and provide an exit channel. Facilitating companies to maintain their listing status is in the interests of minority shareholders which is in line with the objectives of the Exchange.

We hope the Exchange would share our concern above. We look forward to the opportunity to further discuss these matters at a time you find convenient.

Yours sincerely  
For and on behalf of  
The Chamber of Hong Kong Listed Companies



Mike Wong  
Chief Executive Officer