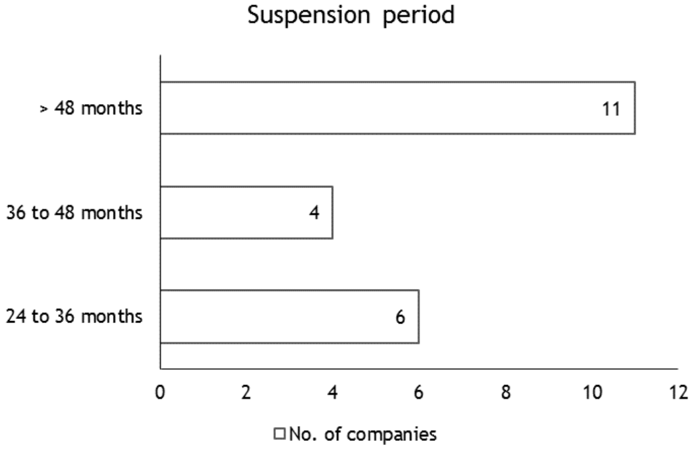
Press Release

Date	31 January 2018	For immediate release
Subject	**How long should listed issuers be allowed to be suspended?**	

BDO Review: Timeline for suspended listed issuers to resume trading

Hong Kong - BDO, the leading accounting firm, reviewed the duration of the suspension of various listed issuers in Hong Kong following the proposed reform on delisting procedures. BDO performed a review on listed issuers in Hong Kong that were suspended for more than 24 months between 2012 and 2016 from publicly available information and identified a total of 21 such companies. Of the 21 suspended companies, 11 took more than four years (one even took up to seven years) to resume trading of their securities (see Table 1).

<u>Table 1</u>



Source: BDO Analysis of suspended listed companies between 2012 and 2016

The BDO review was conducted following a proposal by The Hong Kong Exchanges and Clearing Limited ("HKEX") in their "Delisting and other rule amendments" consultation paper issued in Sept 2017 that the period of suspension for listed issuers should not exceed 24 months. The paper has also proposed to remove the PN17 process.

Based on the BDO review, the total market capitalisation (“market cap”) of the 21 companies as of at the date of suspension, resumption date and as of 15 January 2018 was HK$18.8 billion, HK$24.3 billion and HK$112.8 billion respectively. In addition, 13 companies had an increase in market cap upon resumption of trading. 12 of these companies still had a higher market cap as at 15 January 2018 compared to their market cap prior to suspension.

From the BDO review, the key reasons for the suspension of the 21 companies were analysed as follows:

(1) They were in severe financial difficulties or had ceased to maintain sufficient operations or assets i.e. PN 17 companies. It was noted that provisional liquidators or liquidators were appointed over 6 of the companies; and/or

(2) They failed to announce their financial results or were under regulatory investigation for irregularities.

For the said six companies with provisional liquidators appointed, the steps and time taken for the companies to be restructured successfully were as follows:

Milestones	Time taken	Average
Appointment of Prov. Liquidators	0 to 16 months	4 months
Release of restructuring plans	14 to 58 months	29 months
Release of circular	15 to 45 months	20 months
Resumption of company	2 to 4 months	3 months

Source: BDO Analysis of suspended listed companies between 2012 and 2016

On average, the provisional liquidators of the companies took some 56 months, i.e. four years and eight months, to restructure the companies and resume trading of their securities.

Kenneth Yeo, Director and Head of Specialist Advisory Services at BDO Hong Kong, said,
“The PN17 process involves a 3-stage delisting procedure of six months each. Currently, a provisional liquidator of a listed company can appeal against the decision by HKEX to place the company into the next stage of delisting. That option will no longer be available as the PN17 process will be removed under HKEX’s proposed changes. As such, a provisional liquidator appointed over a listed company that is already in suspension will have very limited opportunity to seek more time under the proposed new rules.

Johnson Kong, Managing Director of Non-Assurance Services at BDO Hong Kong, said,
“We support the efforts by HKEX to streamline the delisting process to ensure listed companies that are suspended from trading do not remain suspended for too long. However and if HKEX’s current proposal were to be implemented, all the 21 companies in our review would have been delisted as they took more than two years to resume trading. Although these

companies were suspended because they either had inadequate assets and operations or had reported financial irregularities, our analysis revealed a significant increase in their total market capitalization since their resumption of trading.

I think the message is clear. Going forward, listed companies that want to preserve their listing status and value will only have a defined period of time to resolve their issues or complete their restructuring. They (and their advisors) can no longer assume it is an open-ended timeline and will need to be very focused in meeting the target date."

Kenneth concluded,
"As reflected in our analysis above, the six listed companies that were successfully restructured by its provisional liquidators between 2012 and 2016 all took more than 2 years to resume trading of their securities. Given the absence of a corporate rescue regime in Hong Kong, the appointment of provisional liquidators was a "de facto" approach to try to restructure distressed companies. This was particularly the case for listed companies due to the value of the listing status. However, all these companies would have been delisted if the proposed delisting rules changes are implemented.

I believe therefore that Hong Kong will need to urgently enact the statutory corporate rescue procedure or provisional supervision bill that has been in the pipeline for the past 20 years. Hong Kong will no doubt need that to be more aligned with the major jurisdictions and maintain its global financial centre position. In this respect, Singapore has been positioning itself as Asia's restructuring hub and has just introduced new restructuring laws on rescue financing."

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Note to editors	About BDO Limited BDO Limited in Hong Kong is a member firm of the international BDO network of independent member firms. BDO is a global accountancy network with over 1,500 offices in 162 countries and more than 73,800 people providing advisory services throughout the world. BDO Limited was established in Hong Kong in 1981 and is committed to facilitating the growth of businesses by advising the people behind them. BDO Limited provides an extensive range of professional services including assurance services, business services & outsourcing, risk advisory services, specialist advisory services and tax services. For more details, visit www.bdo.com.hk.	
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