

LISTING COMMITTEE REPORT

HKEX
香港交易所

2015

CONTENTS

	Page
Foreword	1
Main Issues Arising in the Year	
Consultations	
• Consultation Conclusions to Concept Paper on Weighted Voting Rights	3
• Consultation Paper and Consultation Conclusions on Review of the ESG Guide	4
• Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments	4
Prospectus and Listing Process	
• Listing Suitability of Applicants Holding Interests in Mainland China Businesses through Structured Contracts	5
• Listing Document Simplification	5
• Periodic Review of GEM Applications	5
• Review of Placing Guidelines	6
• Placing to Connected Clients and Existing Shareholders under the Rules	6
• Cornerstone Investments	7
• Shortening of the IPO Settlement Cycle	7
Listing Matters	
• Review of Chapters 2A and 2B of the Rules	7
• Update on Review of Overseas Company Listing Regime	8
• Analysis of Corporate Governance Practices Disclosure in 2014 Annual Reports	8

	Page
Ongoing Obligations and Other Related Matters	
• Recent Market Activities in Backdoor Listings, Cash Companies and Reverse Takeovers	8
• Placing of Warrants using General Mandates	11
• Long Suspension and Delisting Policy	11
• Guidance on Trading Halts	12
• Delegation of Authority to the Head of Listing to Grant Waiver from the Assured Entitlement Requirement under Paragraph 3(f) of Practice Note 15	12
Regular Business	
Listing Applications	13
Cancellation of Listing	14
Other Matters	15
Service Standards	16
Disciplinary Matters	17
Review Meetings	22
Policy Agenda for 2016 and Beyond	24
Appendices:	25
1 Composition, Role and Operations of Listing Committee	
Members as at 31 December 2015	
Composition of Listing Committee	
Role of Listing Committee	
Operations of Listing Committee	
2 Policy Development	
3 Meeting Statistics	
4 Attendance at Meetings	

FOREWORD

This report is an account of the work of the Listing Committee¹ of The Stock Exchange of Hong Kong Limited (the “Exchange”) for the year ended 31 December 2015. It highlights the issues the Listing Committee has dealt with during the year which it believes will be of greatest interest to the investing public, practitioners and listed companies, and outlines the position or action the Listing Committee, the Listing Department (the “Department”) and the Exchange have taken. It also includes a policy agenda of issues that the Listing Committee anticipates it will discuss in 2016 and beyond.

This report has been prepared for the board of the Exchange and the board of its parent company, Hong Kong Exchanges and Clearing Limited (“HKEX”) and was approved for submission to those boards on 2 March 2016. It will be forwarded to the Financial Services and the Treasury Bureau (“FSTB”), the Securities and Futures Commission (“SFC”) and posted on the HKEX website.

2015 has been a particularly busy year for the Listing Committee and the Exchange. In relation to initial listing matters, the Listing Committee considered 112 listing applications (compared to 92 in 2014) and endorsed the publication of three additional Country Guides which clarified the listing requirements of companies incorporated in the State of Nevada (United States), India and Russia. The Exchange also approved a Listing Document Simplification Guide with a view to encouraging production of a succinct listing document that is user-friendly to both retail and professional investors.

Market activities also soared in 2015. Issuers’ corporate activities such as fundraisings, acquisitions and takeovers led to an increase in the number of trading halts. Whilst the Listing Committee noted a decrease in reverse takeover transactions (“RTOs”) after the RTO rule was tightened in 2014, a new trend has arisen where listed issuers proposed large scale fundraisings that involve investors injecting substantial amounts of cash into issuers and, after taking control of issuers, those investors would invest the cash in new businesses with the original businesses of the issuers being marginalized. The Committee also noted that there was an increase in the number of companies suspended due to material issues (eg identified irregularities and/or regulatory investigations) and the duration of suspension in recent years.

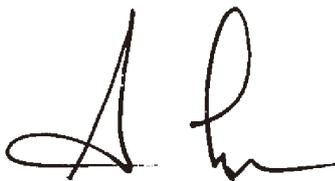
Against this background and in the interest of maintaining the quality and reputation of the Hong Kong market, the Exchange issued a number of guidance letters including guidance on the criteria for and principles of trading halts; guidance on cash companies; and guidance where an issuer disposes of assets amounting to a “very substantial disposal” under the Rules. The Committee also considered it necessary to adopt a more robust delisting policy for long suspended companies. In 2016, the Exchange will conduct a holistic review of regulations in connection with listed company activities including RTOs, cash companies, the handling of long suspended companies, delisting and related requirements.

1 The Main Board and GEM Listing Committees have operated as a combined committee since 2003, and membership of the committees was fully unified in May 2006. The expressions “Listing Committee” and “Committee” refer to the combined committees.

To ensure that the Listing Rules “reflect currently acceptable standards in the market place”, the Listing Committee and the Department review the Rules periodically and consult the market where appropriate. As part of that effort and as reported in our 2014 report, the Exchange published the Concept Paper on weighted voting rights (“WVR”) in August 2014 to provide an opportunity for the public to debate a topic that it considered to be of great market interest and potential significance to Hong Kong. Having carefully considered the 200 responses received during the first half of 2015, the Committee concluded that there was support for a second stage consultation on the acceptability of WVR structures and outlined a draft proposal after a considerable period of discussion, analysis and engagement with the SFC at the staff level. The proposal reflected what the Committee believed represented its best efforts to propose a limited WVR regime that addressed the competition concerns expressed in the Concept Paper, and, at the same time, ensured appropriate ring-fencing and safeguards. However, in the light of SFC’s statement issued in June 2015 which made clear that the SFC would not support the draft proposal for primary listings with WVR, the Listing Committee decided that it would not, at this time, proceed with a second stage consultation. The Exchange will continue to monitor regulatory and market developments together with any broader Hong Kong initiatives around fostering innovation and capital formation, and the maintenance of Hong Kong’s standing as a leading international financial centre. The Exchange will also likely revisit the question of secondary listings as part of any future review of its overseas company listing.

In the second half of 2015, the Exchange consulted on the Environmental, Social and Governance (“ESG”) Reporting Guide (“ESG Guide”) with the aim of strengthening ESG disclosure requirements, encourage more widespread and standardised ESG reporting amongst issuers, and help issuers meet greater demand and expectations for non-financial information from investors and other stakeholders. The proposals put forward by the Exchange received substantial majority support. The various amendments to the ESG Guide adopted are phased in in 2016 and 2017.

The Department continued to perform very well and maintain its high standards. I wish to thank my two Deputy Chairmen, fellow Committee members, our Head of Listing David Graham and the Department for their insight, dedication and hard work during the past year.

A handwritten signature in black ink, appearing to read 'S Taylor', with a stylized flourish at the end.

Stephen Taylor
Chairman

MAIN ISSUES ARISING IN THE YEAR

1. This section contains the issues that the Listing Committee has dealt with during the year which it believes will be of greatest interest to the investing public, practitioners and listed companies, and outlines the position or action the Listing Committee, Department and the Exchange have taken. A full list of policy matters considered by the Committee is set out in Appendix 2.

CONSULTATIONS

Consultation Conclusions to Concept Paper on Weighted Voting Rights

2. The Exchange published a Concept Paper on WVR in August 2014. The consultation period closed on 30 November 2014. The Exchange received a total of 200² responses from listed issuers, HKEX participants, professional bodies, market practitioners, institutional and individual investors, other institutions and individuals. On 19 June 2015, the Exchange published conclusions to its Concept Paper on WVR. The Exchange concluded that there was support for a second stage consultation on proposed changes to the Rules³ on the acceptability of WVR structures. In the conclusions, the Exchange also outlined a draft proposal (in the nature of a “Straw Man”) that was intended to be refined through discussions with stakeholders to ensure that it had the benefit of their views before putting forward a proposal for formal consultation.
3. On 25 June 2015, the SFC published a statement that it did not support the “Straw Man” proposal on primary listings with WVR structures. In response to the SFC’s statement, the Exchange published an announcement on the same day stating that it would further engage with the SFC, and the Committee would decide the best way forward.
4. In October 2015, the Committee announced that after considering the views of the board of the SFC, the Committee had decided that it would not, at this time, proceed with its draft proposal on WVR nor seek to put forward a proposal for a formal consultation as originally proposed. It concluded, however, that the Exchange should continue to monitor regulatory and market developments, both in Hong Kong and elsewhere, together with any broader Hong Kong initiatives around fostering innovation and capital formation, and the maintenance of Hong Kong’s standing as a leading international financial centre, which may require a further review on a modified proposal in due course.
5. The conclusions to the concept paper, copies of respondents’ submissions, the Exchange’s announcement in June 2015 and the Committee’s announcement in October 2015 are available on the HKEX website.

2 104 responses contained original content (96 responses were entirely identical, in content, to other responses). Some of the 104 unique responses were submitted on behalf of a group of respondents. Charltons, a law firm, represented one group of sponsor firms and Freshfields represented two groups of sponsor firms. 22 responses were submitted by professional bodies representing their members.

3 The Rules comprise the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Main Board Rules”) and Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Rules”). Rule references in this report are to the Main Board Rules unless otherwise specified.

Consultation Paper and Consultation Conclusions on Review of the ESG Guide

6. The Exchange published a consultation paper in July 2015 to seek views on proposed amendments to its ESG Guide. The proposals aimed to upgrade the reporting obligations under the ESG Guide to “comply or explain”, encourage more widespread and standardised ESG reporting amongst issuers, and help issuers meet greater demand and expectations for non-financial information from investors and other stakeholders. The consultation period closed on 18 September 2015. The Exchange received a total of 203 responses from listed companies, professional bodies, market practitioners, non-governmental/charitable organisations, individuals, retail investors and other entities. All the consultation proposals received substantial majority support and have been adopted with certain clarifications or modifications. The consultation conclusions were published in December 2015.
7. The Rule amendments and the upgrade of the disclosure obligations to “comply or explain” under the ESG Guide except those relating to environmental key performance indicators were implemented for issuers’ financial years commencing on or after 1 January 2016. The upgrade in relation to the environmental key performance indicators will be implemented for issuers’ financial years commencing on or after 1 January 2017. The development of the ESG Guide has been, and will continue to be an evolutionary process, with the longer term goal of achieving better and more comprehensive ESG reporting amongst listed issuers.
8. The consultation paper, consultation conclusions and copies of respondents’ submissions are available on the HKEX website.

Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments

9. The Exchange published a consultation paper in August 2014 on the proposed amendments to the Rules following the Exchange’s review of the requirements on the disclosure of financial information in Main Board Rule Appendix 16 with reference to the new Companies Ordinance (Cap. 622) and Hong Kong Financial Reporting Standards. The consultation period closed on 24 October 2014. The Exchange received a total of 55 responses from listed issuers, professional bodies, industry associations, market practitioners and individuals. In February 2015, the Exchange published consultation conclusions showing there was strong support for the Exchange’s proposals. The Rule amendments unrelated to disclosure of financial information came into effect on 1 April 2015. The amendments relating to the disclosure of financial information apply to accounting periods ended on or after 31 December 2015.
10. The consultation conclusions and copies of respondents’ submissions are available on the HKEX website.

PROSPECTUS AND LISTING PROCESS

Listing Suitability of Applicants Holding Interests in Mainland China Businesses through Structured Contracts

11. The 2014 Listing Committee Report stated that the Committee considered a draft Guidance Letter on the use of contract-based arrangements or structures to hold interests in businesses in Mainland China (“Contractual Arrangements” or “VIE Structures”) after listing. The Committee endorsed the publication of the Guidance Letter (HKEX-GL77-14) in May 2014. The Guidance Letter provides guidance on the actions and disclosure required where a listed issuer conducts a notifiable and/or connected transaction involving a business using Contractual Arrangements. It also sets out the recommended disclosure in annual reports.
12. At the June 2015 meeting, the Committee considered a report presented by the Department on the listing suitability of applicants holding interests in businesses through Contractual Arrangements and endorsed the Department’s view that publication of the draft PRC Foreign Investment Law heightened the risks of the illegality of VIE Structures. The Committee also agreed that Listing Decision (HKEX-LD43-3) and Guidance Letter (HKEX-GL77-14) (together, “VIE Guidance”) should be updated to request issuers to consult with the Department on the use of Contractual Arrangements in light of the draft Foreign Investment Law as early as possible.
13. The Listing Decision (HKEX-LD43-3) and Guidance Letter (HKEX-GL77-14) updated in August 2015 are available on the HKEX website. The Department will continue to update the VIE Guidance as appropriate to reflect the Department’s approach to the use of Contractual Arrangements.

Listing Document Simplification

14. The Committee considered a paper in 2014 which raised concerns that the average Hong Kong listing document was not fulfilling its intended purpose of enabling investor to make informed investment decisions.
15. At the November 2015 policy meeting, the Committee considered and endorsed the publication of a Listing Document Simplification Guide, which contains general guidance on producing clear and concise listing documents, a consolidation and an update of existing guidance on disclosures in listing documents and sample “Summary of the Constitution of the Company and the Companies Law” sections of listing documents of applicants incorporated in Bermuda, the Cayman Islands and Mainland China and the corresponding sample constitutional documents for the applicants. The Listing Document Simplification Guide (HKEX-GL86-16) was issued in February 2016 and is available on the HKEX website.

Periodic Review of GEM Applications

16. At the May and the November 2015 policy meetings, the Committee noted a periodic report on GEM applications for the six months ended 31 March and 30 September 2015 respectively. Having noted that the current GEM regime had been in operation for around seven years and taking into account the new sponsor regime which came into effect in October 2013, at the November 2015 policy meeting, the Committee has decided to conduct a holistic review of GEM.

Review of Placing Guidelines

17. At the August 2014 policy meeting, the Committee endorsed the Department's proposed way forward on the recommendations set out in the FSDC Information Paper⁴, including the proposal to work with the SFC to review the placing guidelines as set out in Appendix 6 to the Rules.
18. At the February 2015 policy meeting, the Committee considered a paper which made a number of recommendations that aimed at streamlining the placing guidelines. The paper also made certain recommendations in respect of marketing statements, placee lists and independence letters in an effort to streamline the review process.
19. The Committee considered that no changes should be made to the current requirements. Instead, the Department should conduct a review of procedures in this area before seeking to amend the Rules.

Placing to Connected Clients and Existing Shareholders under the Rules

20. At the October 2015 policy meeting, the Committee considered a paper on the application of allocation restrictions regarding placings to connected clients and existing shareholders and their close associates. In addition, the Department also sought the Committee's view on whether the "no double dipping" principle which applies to independently managed but affiliated funds should be reconsidered.
21. Under the placing guidelines, the Exchange's prior written consent is required for allocations of IPO shares to connected clients and existing shareholders and their close associates. The Committee endorsed the Department's proposal to issue guidance on the conditions to be satisfied before the Exchange's prior written consent is granted for connected clients and existing shareholders and their close associates. The Committee also reconfirmed that consent would not be given for allocations of securities to connected clients for their proprietary accounts. However, under exceptional circumstances, such allocations of securities would be considered on a case-by-case basis. The Guidance Letter (HKEX-GL85-16) endorsed by the Committee was published in January 2016 and is available on the HKEX website.
22. The Committee also determined that: (a) the Department's current position that connected clients and existing shareholders and their close associates, could not participate both as cornerstone investors and as placees should remain unchanged; and (b) the status quo on the "no double dipping" principle in the area of affiliated funds that are separately managed should be maintained. Further, the Committee approved delegating to the Head of Listing the power of granting consents and related waivers for requests received after the Committee hearings.

4 In June 2014, the Financial Services Development Council ("FSDC") issued a report entitled "Positioning Hong Kong as an International IPO Centre of Choice" which sets out nine recommendations to revitalize listings in Hong Kong. The Department prepared an information paper (the "FSDC Information Paper").

Cornerstone Investments

23. The 2014 Listing Committee Report stated that the Committee at the August 2014 policy meeting, requested the Department to undertake further research on the effects of cornerstone investments on IPOs so that the Committee could consider whether regulations in this respect should be introduced.
24. At the February 2015 policy meeting, the Department presented its findings and reported that it was inconclusive that cornerstone investments necessarily narrow the shareholder base, reduce liquidity of shares or result in negative returns after the six-month lock-up period expired. The Department therefore proposed not to introduce new regulations for cornerstone investments and would continue to monitor developments in the area. The Committee agreed with the Department's conclusions.

Shortening of the IPO Settlement Cycle

25. The FSDC Report stated that the "T+5" settlement typical in a Hong Kong IPO imposes a comparatively long exposure to the listing applicant and underwriters, which can be significant in a volatile market, and is "rather unsatisfactory compared to other markets". Accordingly, the FSDC Information Paper included a long term goal to look into the possibility of reducing the IPO settlement cycle.
26. At the November 2015 policy meeting, the Committee considered a progress report on the review on the shortening of the IPO settlement cycle. The Committee commented that this initiative is not worth pursuing unless the settlement cycle can be shortened by more than one day. The Committee noted that the Department would continue to work with the SFC to explore an overhaul of the settlement process which may more drastically reduce the overall cycle.

LISTING MATTERS

Review of Chapters 2A and 2B of the Rules

27. The 2014 Listing Committee Report stated that the Department would conduct a consolidated review on the Exchange's disciplinary powers and sanctions under Chapter 2A as well as the procedural issues relating to Committee hearings (disciplinary and non-disciplinary review) identified in Chapters 2A and 2B. At the February 2015 policy meeting, the Committee considered and noted the progress report on the disciplinary aspects of the review.
28. At the November 2015 policy meeting, the Committee considered the Department's reports on the review. In respect of the disciplinary aspects, the Committee generally supported the Department's various proposals in respect of (i) potential targets of disciplinary action; (ii) establishing clear obligations for targets and standards for compliance; and (iii) disciplinary sanctions available to the Committee. In respect of the procedural issues relating to Committee hearings, the Committee supported the Department's proposed amendments to Chapters 2A and 2B.

Update on Review of Overseas Company Listing Regime

29. The 2013 Committee Annual Report stated that the Exchange and the SFC published a Revised Joint Policy Statement Regarding the Listing of Overseas Companies, which clarified our requirements, provided certainty for overseas companies and maintained high standards of regulation, investor protection and corporate governance. The Exchange published 20 “Country Guides” in December 2013.
30. At various 2015 regular meetings, the Committee approved The State of Nevada, the United States of America, India and Russia as jurisdictions (“Acceptable Jurisdictions”) where the standards of shareholder protection are at least equivalent to those provided in Hong Kong under Chapter 19 of the Rules. The Committee also approved the publication of “Country Guides” on these jurisdictions. The Department published the Country Guide on the State of Nevada in September 2015, one on India in November 2015, and one on Russia in January 2016. These Country Guides set out user-friendly guidance for companies incorporated in these jurisdictions that are seeking a listing on the Exchange.

Analysis of Corporate Governance Practices Disclosure in 2014 Annual Reports

31. The Department reviewed issuers’ corporate governance practices by analysing the disclosures made by 1,237 issuers in their 2014 annual reports, covering the financial period from 1 January to 31 December 2014 (the “Review”).
32. The Review showed that issuers have continued to achieve a high rate of compliance on the Code Provisions. The Review also included the Exchange’s comments on the quality of the explanations in relation to the five Code Provisions with the lowest compliance rates.
33. The Committee approved the publication of the “Analysis of Corporate Governance Practice Disclosure in 2014 Annual Reports” which was published in November 2015 on the HKEX website.

ONGOING OBLIGATIONS AND OTHER RELATED MATTERS

Recent Market Activities in Backdoor Listings, Cash Companies and Reverse Takeovers

34. During the year, there had been extensive market commentaries about trading and creation of shell companies, noting that these activities damage the quality and reputation of the market in Hong Kong. The media reported a significant demand for shell companies which led to an increase in value of small cap companies. In response to the press comments, the Department conducted an extensive review of backdoor listing related transactions, cash companies and reverse takeovers, which aimed to identify trends and potential issues in the areas.

Backdoor listing related transactions

35. At the October 2015 policy meeting, the Committee considered the Department’s findings on a review of backdoor listing related transactions in 2014 and 2015 (up to July), and the post-IPOs activities of newly listed companies since 2011.

Takeover activities

36. In Hong Kong, any takeover is principally regulated by the Codes on Takeovers and Mergers and Share-buybacks issued by the SFC and the Takeovers and Mergers Panel. The Exchange's review aimed solely to identify issues relevant to the Listing Rules (eg attempts to circumvent the reverse takeover Rule). The review indicated a substantial increase in takeovers of listed issuers through general offers or large scale share subscriptions while the number of reverse takeovers decreased slightly. The backdoor activities have moved away from acquisition driven transactions. These activities generally involved companies of smaller market capitalization, and there were material share price fluctuations in the periods before the takeovers were announced. Specific trends and issues are summarised below:
- (a) Takeovers through general offers – there was a significant increase in takeover activities where investors acquired control of issuers without immediate asset injections. Some issuers made asset acquisitions after the general offers, but only a minority of these acquisitions were significant to the issuers. While no particular trend was noted, it is possible for issuers to achieve backdoor listing of new businesses through a series of transactions, by breaking up the material acquisition into a series of transactions to circumvent the reverse takeover (“RTO”) Rule. The Exchange will continue to monitor corporate actions of this nature and apply the RTO Rule to backdoor listing transactions, and review the current rules (e.g. the aggregation of transactions) to ensure their effectiveness in response to market developments.

There were also cases where the issuer proposed to dispose of or distribute its businesses at the time of the general offer. Some extreme cases did not proceed as the issuer failed to demonstrate that it would have sufficient operations or assets under Rule 13.24 after the disposal or distribution (see also paragraph 37 below).

- (b) Takeovers through large scale share subscriptions – the Committee also noted a significant increase in issuers proposing large scale share subscriptions by third party subscribers. In a number of cases, the subscribers would take control (or de facto control) of the issuers and invest the cash in new businesses. The original businesses of the issuers would be marginalized. This was a new trend following the tightening of the RTO Rule.

Transactions involving very substantial disposals

37. There were a number of significant assets disposals (or distributions in specie) proposed by issuers. The Committee noted that the Exchange applied Rule 13.24 to these cases and required the issuers to demonstrate that their remaining businesses are viable and sustainable. During 2014 and 2015 (up to July), 11 cases were rejected where the issuers, after the proposed disposal or distribution, would leave small operations. Listing Decision (HKEX-LD88-2015) was published in respect of a case that was considered by the Committee in 2014.
38. In addition, the Committee endorsed that, where a disposal of the assets by an issuer amounts to a very substantial disposal under the Rules, the proposed distribution of these assets would be subject to the Rule requirements applicable to a withdrawal of listing. Such distribution tantamounts to a delisting of the assets and accordingly shareholders should be afforded the same level of protection available for a withdrawal of listing. Listing Decision (HKEX-LD75-4) was published to provide additional guidance on this type of distributions in specie.

Post-IPO activities of newly listed companies

39. The review showed a slight increase in IPOs with smaller market capitalization, and a small number of newly listed issuers involved in post-IPO activities (including general offers, large scale subscriptions, exit of controlling shareholders and/or fundamental change in business through acquisitions or disposals). The level of these activities involving newly listed companies was not disproportionate to the level of such activities conducted by all issuers generally. The Exchange will continue to monitor this area to ensure the issuers' compliance with its Rules and guidance.

Cash Companies

40. As mentioned in paragraph 36(b), there was a new trend where subscribers, after taking control of the issuers, would invest the cash in new businesses with the original businesses being marginalized. At the October 2015 policy meeting, the Committee asked the Department to bring ongoing cases to the Committee for consideration. The Committee reviewed and gave guidance on the application of cash company Rules in a number of subscription proposals submitted by issuers.
41. At the November 2015 policy meeting, the Department updated the Committee with developments in this area. The Committee noted some common factual patterns in cases where cash company Rules were applied: (i) the size of the proposed fundraising is very significant to the issuer and unrelated to the needs of its existing principal business; (ii) the investor would control the issuer and change its board of directors; and (iii) the cash proceeds would be used to start new businesses, which would be substantially larger than the issuer's existing business. In these cases, the issuer's assets would consist substantially of cash upon completion of the proposed fundraising, and the investor was in effect listing, via the issuer as a vehicle, new businesses that are not suitable for listing. The Committee agreed with the Department's recommendation to issue a Guidance Letter on its approach to applying the cash company Rules in fundraising activities. Guidance Letter (HKEX-GL84-15) was published in December 2015 and is available on the HKEX website.

Reverse Takeovers

42. At the October 2015 policy meeting, the Committee considered a paper on the review of very substantial acquisitions and RTOs conducted between June 2014 and May 2015, compared to the period from June 2013 to May 2014 (i.e. prior to the release of RTO Guidance Letter (HKEX-GL78-14) which is a summary of discussions in various policy meetings in 2009, 2010, 2013 and 2014). A decrease in RTO cases was noted.
- There was a notable decrease in significant acquisitions that were ruled as RTOs under the principle-based test (from 11 cases to one case). These acquisitions constituted a circumvention of new listing requirements. The RTO Guidance Letter provided clarity to the market on the assessment criteria for the principle-based test, which might have discouraged these types of transactions.
 - On the other hand, there was an increase in RTOs under the bright line tests (from two cases to five cases) where the issuers followed the new listing requirements.

43. For very substantial acquisitions that were not subject to the RTO Rule, a vast majority of cases in the review period were transactions in line with the issuers' normal course of businesses. The size of the transactions was on average smaller compared to those conducted before the publication of the RTO Guidance Letter, and the number of cases using restricted convertible securities as consideration for acquisitions also decreased.
44. The Committee noted the Department's findings, and considered that the RTO Guidance Letter provided clarity to the market and that the tightened regulations on RTOs had worked well.

Placing of Warrants using General Mandates

45. The 2014 Listing Committee Report stated that the Committee considered a paper on the review of placings of warrants by issuers at a nominal price using general mandates. The Committee noted the possible abuse of this type of securities issued by individual issuers and asked the Department to bring future cases to the Committee for consideration.
46. After the 2014 policy meeting, the Committee reviewed and gave guidance on a number of placings of unlisted warrants. At the May 2015 policy meeting, the Department updated the Committee on the developments in relation to warrant issues. The Committee agreed that a placing of warrants may be conducted under general mandate only if the issuer can demonstrate that the warrants are issued at, or proximate to, their fair value. The issuer has to demonstrate whether the issue price represents the fair value, which will be measured by reference to their valuation calculated using a common option pricing model as a starting point in general.
47. The Committee endorsed the Department's recommendation to publish a Listing Decision to illustrate the Exchange's handling of this type of warrant issues through placing and subscriptions. [Listing Decision \(HKEX-LD90-2015\)](#) was published in May 2015 and is available on the HKEX website.

Long Suspension and Delisting Policy

48. At the October 2015 policy meeting, the Committee considered a paper discussing the Exchange's long suspension and delisting policy and the practices in other major markets. Long suspended companies include (i) companies which are subject to the delisting procedures under Practice Note 17 to the Rules as they are in severe financial difficulties and/or have ceased to maintain sufficient operations or assets to warrant a continued listing ("PN 17 companies"); and (ii) companies which are suspended due to material issues including identified irregularities and/or regulatory investigations, failure to publish financial results or significant internal control weaknesses ("problematic companies").
49. The Committee noted that there was an improvement in the timeliness of delisting of PN17 companies following the publication of the Guidance Letter on long suspended companies in September 2013. However, while problematic companies improved in transparency through regular disclosures, there was an increase in the number of these companies and the duration of suspension in recent years.

50. The Committee considered it necessary to adopt a more robust delisting policy in the interest of maintaining the reputation of the Hong Kong market. In particular, the existence of long suspended companies in persistent breach of the Rules in a material manner or suspected of illegal or improper activities undermines the quality of our market. A robust delisting policy with an effective procedure will facilitate an orderly exit of poor quality companies and provide a deterrent effect against companies committing material breaches of the Rules. This will also provide more certainty to the market on how the Exchange handle suspended companies and bring its practices more in line with other major markets.
51. The Exchange is conducting further studies in this area and may consult the market on its proposal to change the delisting Rules. In the meantime, it will consider the circumstances of individual long suspended companies and where necessary commence the delisting process against them under the current Rules.

Guidance on Trading Halts

52. At the October 2015 policy meeting, the Committee considered a paper on a review of trading halts of issuers' securities from January to June 2015. The Committee noted an increase in the number of trading halts during the period alongside with an increase in issuers' corporate activities such as fund-raisings, acquisitions and takeovers. For trading halts pending announcements of complex transactions, the Committee also noted an increase in the duration of trading halts as some issuers took a longer period to address regulators' comments on the transactions or renegotiate the terms of the transactions while trading remained suspended.
53. Trading halts generally take place where an obligation to disclose inside information under the SFO arises but an announcement is not published, or confidentiality in respect of inside information has been lost. Under the Rules, issuers may suspend trading in their securities until the inside information is published. The Committee considered that issuers should plan their affairs so that a trading halt can be avoided and/or any halt can be kept as short as is reasonably possible. The Committee endorsed the Department's recommendation to issue a Guidance Letter to remind issuers of their obligations and the good practices in handling transactions and minimizing trading halts. Guidance Letter (HKEX-GL83-15) was published in December 2015 and is available on the HKEX website.

Delegation of Authority to the Head of Listing to Grant Waiver from the Assured Entitlement Requirement under Paragraph 3(f) of Practice Note 15

54. At the October 2015 policy meeting, the Department sought the Committee's consent to delegate authority to the Head of Listing to approve waivers from the assured entitlement requirement under paragraph 3(f) of Practice Note 15 of the Rules for spin-off proposals where there are no novel issues.
55. The Committee noted that the Exchange in the past had agreed to grant waivers from the assured entitlement requirement for a number of spin-off proposals, which usually involved spin-offs of businesses to other exchanges where the issuers were unable to provide their shareholders with assured entitlements to the share of the spun-off entities due to legal restrictions. Such waivers did not raise material regulatory concern. The proposed delegation would streamline the approval process for spin-off proposals.
56. The Committee agreed to delegate authority to the Head of Listing to approve waivers from paragraph 3(f) of Practice Note 15. The Committee's decision would still be required for approving: (a) any waiver applications with unusual features; and (b) any waiver applications which the Head of Listing was minded to reject.

REGULAR BUSINESS

LISTING APPLICATIONS

57. Statistics in relation to listing applications handled by the Listing Committee are set out in the tables below.

Meetings at which IPO applications were considered	2015	2014
Meetings Within the Regular Schedule	38	39
Specially Convened Meetings	5	7

Listing Applications considered by the Listing Committee	2015	2014
Applications Considered (Note 1)	112	92
Applications Approved (Note 2)	109	91
Applications Rejected	Nil	Nil
Decisions Deferred Pending Further Information (Note 3)	3	1

Listing Applications approved and/or listed by the Listing Committee	2015	2014
Applications Approved and Listed in the Year	94	91
Applications Approved in Previous Year and Listed in the Year	10	12
Applications Listed in the Year	104	103

Notes:

- 1 2015 includes three (2014: three) very substantial acquisitions and RTOs treated as new listing applications.
- 2 2015 includes two applications approved at the second hearing. One of the applications approved in 2015 was approved by the Committee in 2014 and the Committee confirmed its approval in 2015.
2014 includes three applications approved at the second hearing and one application approved at the third hearing.
- 3 One of these listing applications lapsed in December 2015.

CANCELLATION OF LISTING

58. Statistics in relation to delisting matters considered at the Listing Committee's regular meetings are set out below:

Nature of decision (Note 1)	Number of cases	
	2015	2014
Main Board		
Companies to be placed into third stage of delisting procedures		
– After rejecting resumption proposal as not viable (Note 2)	1	–
– Without company having proceeded with the resumption proposal previously approved	1	–
Listing to be cancelled		
– Without company having submitted new listing application for resumption proposal ruled as RTO	–	1
– After rejecting resumption proposal as not viable	–	1
Company to be given notice of intention to delist under Rule 6.10	1	–
Trading to be resumed	1	1
GEM		
Company to be given notice of intention to delist under GEM Rule 9.14	2	1
Resumption proposals ruled as RTO	–	1
Listing to be cancelled		
– Without company having submitted new listing application for resumption proposal ruled as RTO (Note 3)	1	–
– After rejecting resumption proposal as not viable (Note 4)	1	–

Notes:

- 1 Unless otherwise indicated these decisions were not appealed.
- 2 The decision in 2015 was appealed and was upheld by the Listing (Review) Committee.
- 3 The decision in 2015 was appealed and was upheld by the GEM Listing (Review) Committee and the Listing Appeals Committee.
- 4 The decision in 2015 was appealed and was upheld by the GEM Listing (Review) Committee.

OTHER MATTERS

59. An analysis of other matters considered at regular meetings during the year is set out below:

Nature of decision/advice sought	Number of cases	
	2015	2014
Listing Application Requirements		
Requests for pre-application guidance from potential IPO applicants (Note 1)	6	4
Guidance on GEM listing applications	5	2
Conditional approval for placings to a connected client of a sponsor	2	–
Consideration of individuals' suitability to be directors	1	–
Ongoing Obligations		
Approval of voluntary withdrawal of listing (Note 2)	12	12
Guidance on cash company Rule (Note 3)	9	–
Approval of waiver from providing an assured entitlement in a spin off	8	2
Guidance on issue of convertible securities (Note 4)	5	1
Application for waiver from the clawback mechanism	3	–
Guidance on whether a proposed transaction was an RTO	1	3
Approval of resumption proposal	1	–
Approval of an issuer of structured products	1	–
Consideration of spin off proposal	1	–
Approval of waiver to reduce public float of an issuer	–	2
Waiver of Rule 8.05(1)(c) in connection with a very substantial acquisition treated as a new listing	–	1
Waiver of Rule 13.36(1) in connection with issue of convertible securities	–	1
Guidance on whether a proposed transaction would result in a company having insufficient assets and operations to warrant continued listing	–	1
Extension of deadlines in connection with a resumption proposal	–	1
Direct a resumption of trading in an issuer's securities	–	1

Notes:

- 1 2015 includes three cases considered twice and 2014 includes one case considered twice.
- 2 2015 includes three ETFs. 2014 includes four ETFs and one debt security.
- 3 2015 includes one case considered three times.
- 4 The case in 2014 was considered twice.

SERVICE STANDARDS

LISTING APPLICATIONS

60. The Exchange's service standard for IPO cases accepted for vetting under the new sponsor regulations is summarised in the following table:

Action	Service standard	Cases accepted for vetting from 1 January to 31 December 2015			% of cases meeting service standard
		Number of business days taken			
		Average	Maximum	Minimum	
Issuance of the first round of comments	10 business days from the date of receipt of the listing application	11	16	6	58 (Note 1)

Note:

- 1 A longer time was required for certain cases because there was an increase of 12% in the number of applications in 2015; in particular, the Exchange received 35% more cases during the seven months ended 31 December 2015 as compared with the seven months ended 31 December 2014. 86% of the cases with the first round of comments issued within 12 business days from the date of receipt of the listing application.

MONITORING AND GUIDANCE ACTIONS

61. The following table summarises the Exchange's service standards for monitoring and guidance actions. It is the Exchange's objective to continue improving the transparency, quality, efficiency and predictability of its service.

Service for Initial Responses	Service standard	% of cases meeting service standard	
		2015	2014
• Pre-vetting activities			
– Initial response to pre-vetted announcements	Same day	96%	98%
– Initial response to pre-vetted circulars (very substantial acquisition)	10 business days	96%	99%
– Initial response to pre-vetted circulars (other than very substantial acquisition)	5 business days	98%	99%
• Issuer enquiries (Note 1)			
– Initial response to issuer's enquiries	5 business days	97%	98%
• Waiver applications (Note 2)			
– Initial response to waiver applications (other than application for delay in despatch of circulars)	5 business days	99%	98%
• Post-vetting activities			
– Initial response to post-vetted results announcements	5 business days	99%	99%
– Initial response to post-vetted announcements (other than results announcements)	1 business day	97%	98%

Notes:

- 1 In 2015, 434 written enquiries (2014: 387) on Rules interpretations and related matters were handled.
2 In 2015, 372 waiver applications (2014: 357) from strict compliance with requirements under the Rules were processed.

DISCIPLINARY MATTERS

62. During 2015, a number of investigations arising from breaches of the Listing Rules were completed by the Department. The average time for completion of an investigation (at which point in time the decision as to the level of regulatory action (if any) is made) was nine months for cases in which investigation was completed in 2015 (9.9 months in 2014).
63. Where conduct of listed companies and their management is identified by the Department which gives rise to suspected breaches of the law, it is referred to the SFC and other law enforcement agencies (e.g. ICAC and the Commercial Crime Bureau of the Hong Kong Police) as appropriate. The Department liaises with them on an ongoing basis as a case proceeds and provides materials, including documents/information and witness statements (covering, among other things, technical advice on the application of the Listing Rules), to support any prosecution which may be brought as a result. During 2015, the Department provided continuing support to the SFC and other law enforcement agencies by dealing with 61 requests for documents/information and providing seven witness statements (42 requests and 10 witness statements in 2014).
64. As in previous years, the Department has continued to focus its resources on pursuing the most blatant and serious breaches of the Listing Rules with a view to utilizing its existing resources to the best regulatory effect. These breaches tend to be cases where some form of public sanction will be sought against the listed company and/or directors. A more detailed explanation of the approach as well as the decision-making process for the enforcement of the Listing Rules can be found in the Enforcement Statement published in both Chinese and English on the HKEX website.
65. The Disciplinary Procedures are also published on the HKEX website. These were revised on 13 September 2013. Under the new procedures, three disciplinary actions were taken in 2013, eight in 2014 and five in 2015. The Department is conducting a review of their operation since introduction and will report to the Listing Committee in 2016.
66. An analysis of the nature of the alleged breaches of the Listing Rules considered by the Listing Committee (whether in the disciplinary actions or by way of approved settlement) and concluded in the year is set out below.

Nature of Alleged Breach of Listing Rules	Meetings	Cases
Failure to obtain shareholder approval for connected transactions, major transactions or very substantial acquisitions	6	4
Failure to cooperate with an Exchange investigation	2	2
Total	8	6

67. For the purposes of the above analysis, cases involving more than one alleged breach of the Listing Rules are classified according to the most serious allegation.
68. Eight hearings (six of which were first instance hearings and two were review hearings) involving six cases took place during the year. Five out of such six cases were concluded in and one was ongoing as at the end of 2015. Two additional disciplinary cases remained ongoing as at the end of 2015.

69. An analysis of the outcome of the disciplinary cases concluded in the year (including one hearing which took place in December 2014 but which was concluded only in 2015 with publication of a public sanction announcement) is set out in the table below.

Outcome	No. of Cases
Public Sanction	6
Private Sanction	0
No Sanction	0
Total	6

70. The range of sanctions available to the Listing Committee under the existing enforcement regime is limited. The sanctions available are primarily shaming and reputational in character, with a major distinction between those with publicity attached and those which remain in the private domain. This must be contrasted with the range of behaviour and conduct and differing roles of individuals who are the subject of disciplinary action. The narrow compass of sanctions available gives rise to considerable challenges in their fair application between the sometimes large number of individuals involved with their differing levels of culpability and an outcome which reflects the expectations of the Exchange and the market. During the year, the Listing Committee continued its review of the disciplinary jurisdiction and sanctions. As mentioned in paragraphs 27 and 28 above, at the November 2015 policy meeting, the Listing Committee endorsed the proposals put forward by the Department. The Department has since obtained further external legal advice on the current proposals and will report back to the Listing Committee. A public consultation is planned for later in 2016.

71. The collective and individual responsibility of directors for compliance remains a cornerstone of the current enforcement regime. This obligation is refined by the application of the personal undertaking given by directors to the Exchange to procure Listing Rule compliance by listed issuers, encompassing dual responsibility to ensure substantive compliance with the Listing Rules and create the conditions for compliance. In view of the broad enforcement themes mentioned in paragraph 79 below, action has been taken where appropriate against both executive and non-executive members of the board. The table below provides more detail and encompasses the outcomes of both public and private action at different levels against all directors who have been involved in disciplinary action before the Listing Committee.

	2015	2014	2013
Number of EDs against whom action was taken as a result of contested or settlement cases	12	20	35
Number of NEDs against whom action was taken as a result of contested or settlement cases	7	2	3
Number of INEDs against whom action was taken as a result of contested or settlement cases	12	17	19
Total	31	39	57

72. In addition, ongoing disciplinary actions concern a further 11 directors holding either executive or non-executive office.
73. In addition to imposing public and private sanctions to punish past conduct by listed issuers and their management, the Listing Committee has deployed its powers to require listed issuers and their management to take remedial action to rectify breaches of the Listing Rules and improve corporate governance. Such directions have, for example, imposed training requirements and an obligation to retain external assistance to create an internal control function. The following table provides some information on the Listing Committee’s work in this respect.

	2015	2014	2013
Number of disciplinary or settlement cases resulting in an “Internal Control Review” direction	1	1	6
Number of disciplinary or settlement cases resulting in a “Retention of Compliance Adviser” direction	1	5	7
Number of disciplinary or settlement cases resulting in a “Training of Directors” direction	3	5	8

74. A number of the cases considered by the Listing Committee during the year once again illustrate the importance of: (a) taking steps to ensure that issuers have adequate and appropriate systems in place; and (b) directors having proper understanding of the Listing Rule requirements to ensure that the issuers can meet their compliance obligations so that investors and the public are kept fully informed by issuers of material factors which might affect their interests and decisions. In addition, some cases have emphasised the Exchange’s views on senior management’s responsibility with regard to the creation and maintenance of compliance systems, and the performance by directors of their duties in attending to the affairs and business operations of listed issuers in compliance with the Listing Rule requirements.
75. The Exchange continues to expect directors, as senior management, to take responsibility for ensuring that listed issuers identify Listing Rule compliance risk, have appropriate systems and controls in place to mitigate these risks and ensure that the systems and controls work in practice. Where deficiencies are uncovered, prompt remedial action will be important. Some listed issuers expect that when they self-report compliance failings there should be no further regulatory action. Self-reporting cannot automatically lead to an exemption from sanction but, as in the past, it is a factor the Listing Committee considers, in the context of the facts and circumstances of each case, to mitigate the level of sanction.

76. The Listing Committee has also noted that the Department has continued to dispose of less serious cases earlier by, for example, warning, cautioning or deciding to take no action, if appropriate. These steps, taken in line with established criteria published on the HKEX website and with the overall objectives outlined in the Enforcement Statement published on 13 September 2013 (see paragraph 64 above), have once again served to reduce the back-log of cases to be dealt with and the number of cases to be heard this year.
77. Disciplinary matters can also be disposed of by settlement as approved by the Listing Committee. The new disciplinary procedures referred to in paragraph 65 above include procedures for resolution of disciplinary business by agreement. This settlement approach has been adopted in a number of occasions in recent years and transparency in the process and the factors to be taken into account was the subject of an announcement on 22 June 2007. The rationale for the adoption of this policy, which has been the subject of commentary in earlier years, remains relevant and will not be repeated here. The full announcement can be found on the HKEX website.
78. Provided the terms of the settlement represent a fair overall regulatory outcome and treatment of the conduct giving rise to regulatory concern and achieve the Exchange's regulatory objectives, the Listing Committee continues to welcome the efforts made by market users and the Department to bring about the settlement and agreed disposal of disciplinary matters.
79. The five themes approved by the Listing Committee during 2014 remained the focus for investigation and enforcement activity during 2015. To recap, they are: (a) director's performance of fiduciary duties, particularly their exercise of care, skill and diligence required under the Listing Rules including in relation to asset disposals and acquisitions by issuers, and IPO prospectus disclosures by new listing applicants; (b) issuers delinquent in publishing accounts resulting from internal control deficiencies; (c) circumstances leading to "heavily" qualified accounts (i.e. with an adverse or disclaimer opinion by auditors) and directors' responsibilities; (d) failure of issuers (which are subject to prolonged trading suspension) and their directors to address the Exchange's concerns in a timely manner to procure trading resumption as soon as possible; and (e) failure of issuers and directors to co-operate with the Exchange's investigation.
80. The Committee understands that 71% of the 52 investigations conducted during the year (including those which remained active as at 31 December 2015) included one or more of the themes referred to in paragraph 79 above and may lead to disciplinary action in due course. As to the six disciplinary cases concluded in 2015, two of them pursued theme (a) and two pursued theme (e). It should be noted, however, that notwithstanding this themed approach to investigation, the Exchange will continue to pursue any other breaches of the Rules that may demonstrate sufficiently egregious conduct beyond the scope of the themes identified in the preceding paragraph.
81. As already stated in the 2014 Listing Committee Report, the themed approach to enforcement would be kept under regular review. To this end a review is in progress and a report to the Listing Committee will be made in due course.

82. In summary, the Listing Committee has and will continue to use the existing powers available to it to sanction the conduct of listed issuers and directors who act in breach of the Listing Rules and also direct remedial and other actions designed to enhance the corporate governance of listed issuers who have acted in breach of the Listing Rules.
83. The Listing Committee would again take this opportunity to remind directors that the level of co-operation shown in helping the Exchange establish the facts during an investigation into suspected breaches is a factor taken into account in deciding what, if any, disciplinary action is appropriate. Directors are required by the terms of their undertaking to the Exchange to co-operate with the Exchange to facilitate the performance of its regulatory function in responding promptly to enquiries and attending meetings with the Department and the Committee when required. Breach of these obligations may give rise to disciplinary action distinct from the substantive breaches of the Listing Rules suspected; and is now a theme for investigation and possible future action (theme (e) described in paragraph 79 above). Two disciplinary cases concluded in the year pursued breaches of this nature resulting in the imposition of public sanctions on two directors.
84. Looking ahead, the Listing Committee will continue to explore ways and means to make the disciplinary regime more effective and responsive to market needs and expectations including the ongoing review of the disciplinary jurisdiction and sanctions of the Listing Committee as described in paragraphs 27 and 28 above.
85. In addition, the Listing Committee has continued to take steps to enhance the transparency of the Exchange's Rule enforcement work. With the Listing Committee's support, in September 2015, a dedicated "Enforcement" section housing all enforcement related information and statistics in one location was launched on the HKEX website.

REVIEW MEETINGS

86. The Listing Committee considered 18 (2014: 18) requests for reviews of decisions made by the Department or Committee during the year, some of which related to decisions that had been made in the previous year. The Listing Appeals Committee considered two (2014: one) requests for review. Details of these reviews are set out in the table below.

Appeal Committee	Decision made by	Nature of Decision	Number of Cases	Outcome as at 31 December 2015
Listing Appeals Committee	Listing (Review) Committee	Cancellation of listing	2	Upheld
Listing (Review) Committee	Listing Committee	Cancellation of listing	2	Upheld
	Listing Committee	Deeming certain individuals and entities as a group of connected persons	1	Upheld
	Listing Committee	Review of Return Decision	1	Upheld
	Listing (Review) Committee	Overturning a decision to reject an application for listing	1	Overturned
	Listing Committee	Determination that an individual was not suitable to be appointed as a director	1	Upheld
	Listing Committee	Placing a company in third delisting stage after determining a resumption proposal was not viable	1	Upheld
	Listing Committee	Rejection of a spin-off proposal	1	Overturned
	Listing Committee	Rejection of a listing application	2	Overturned

Appeal Committee	Decision made by	Nature of Decision	Number of Cases	Outcome as at 31 December 2015
Listing Committee	The Department	Determination that an individual was not suitable to be appointed as a director	1	Upheld
	The Department	Rejection of listing application	2	Upheld
	The Department	Method of calculating the revenue ratio in relation to a proposed transaction	1	Upheld
	The Department	Rejection of a spin-off proposal	2	Upheld
	The Department	Review of Return Decision	1	Upheld

87. As at 31 December 2015, there were four cases under review as follows:

Appeal Committee	Decision made by	Nature of Decision	Number of Cases
Listing (Review) Committee	Listing Committee	Rejection of a spin-off proposal	1
Listing Committee	The Department	Rejection of listing application	2
	The Department	To place the company in the first delisting stage following a determination that the company was unable to maintain a sufficient level of operations or assets	1

POLICY AGENDA FOR 2016 AND BEYOND

88. We highlight below those matters we currently plan to consider during 2016 and beyond:

Prospectuses and listing process

- Review of the IPO settlement cycle

Listing matters

- Review of the Growth Enterprise Market
- Review of the overseas company listing regime
- Review of Chapter 37 on debt issues to professional investors only
- Review of Chapters 2A and 2B

Ongoing obligations and other related matters

- Holistic review of regulations in connection with listed company activities including RTOs and cash companies
- Review of the handling of long suspended companies, delistings and related requirements
- Review of the requirements in relation to equity fund raisings of listed issuers
- Review related to the Government's proposal to improve the regulatory regime for listed companies' auditors

APPENDIX 1 COMPOSITION, ROLE AND OPERATIONS OF LISTING COMMITTEE

MEMBERS AS AT 31 DECEMBER 2015

Chairman

TAYLOR Stephen

Deputy Chairmen

BROWN Stephen James

HO Chi On, John

Ex officio member

LI Xiaojia, Charles

Other members (in alphabetical order)

BRIEN Peter Wilhelm Hubert

CHAN Chiu Kong, Edmond

CHAN Wing Tak, Kevin

CHARLTON Julia Frances

CHAU Paul

CHOW Yik-Cheung, Eric

CLARK Stephen John

DUHAMEL Vincent

GOODING Nial Dennis Henry

HO Yvonne

LEUNG Heung Ying, Alvin

MAGUIRE John Martin

PHENIX Paul Anthony

PICKERELL Blair Chilton

ROBERTS Donald Jeffrey

SWIFT Joseph Daniel

TRACY Alexandra Boakes

TYE Philip Andrew

WEIR Andrew Walter Bougourd Ross

YEUNG Eirene

YIEN Yu Yu, Catherine

YIH Lai Tak, Dieter

YUNG Wen Yee, Wendy

ZEE Helen

COMPOSITION OF LISTING COMMITTEE

1. The Listing Committee consists of 28 members (or such greater number that the board of the Exchange shall agree) as follows:
 - (a) At least eight individuals whom the Listing Nominating Committee (“LNC”) considers will represent the interests of investors.
 - (b) 19 individuals whom the LNC considers will represent a suitable balance of representatives of listed issuers and market practitioners, including lawyers, accountants, corporate finance advisers, and Exchange Participants or officers of Exchange Participants.
 - (c) The Chief Executive of HKEX as an ex-officio member.
2. The Listing Committee has no staff and no budget. With effect from 11 July 2014 a fixed annual fee of \$100,000 is offered for regular Committee members, \$125,000 for the Deputy Chairmen and \$150,000 for the Chairman on account of attendance at and preparation for regular, policy, disciplinary and review meetings. Prior to this, members were offered a fixed annual fee of HK\$80,000.

ROLE OF LISTING COMMITTEE

3. The Listing Committee acts both as an independent administrative decision maker and an advisory body for the Exchange. It has four principal functions:
 - (a) To oversee the Department (to the extent practicable given the Committee’s mode of operation).
 - (b) To provide policy advice to the Department on listing matters and to approve amendments to the Main Board Rules and GEM Rules.
 - (c) To take decisions of material significance for listing applicants, listed issuers and the individuals concerned. These include approvals of listing applications and cancellations of listing and disciplinary matters.
 - (d) To act as a review body (in its role as the Listing (Review) Committee) for decisions made by the Department and by the Listing Committee.
4. Initial policy development, market developments and certain operational matters are considered at the Listing Liaison Forum (“LLF”). This comprises the Committee’s chairman and two deputies, the Chief Executive of HKEX, and the Head of Listing. The LLF generally meets on a monthly basis. In addition, on a semi-annual basis, the Committee’s chairman and two deputies and Head of Listing attend a meeting of the HKEX Board to communicate with the HKEX Board on the operation of the Department and the Listing Committee.
5. A more detailed description of the role and mode of operation of the Listing Committee and its approach to handling conflicts of interest is set out on the HKEX website.

OPERATIONS OF LISTING COMMITTEE

6. One of the principal items of business of the Listing Committee's regular meetings is considering whether or not to approve new listing applications for the Main Board. Applications for listing on GEM are considered by the Department, with applicants retaining a right of appeal to the Listing Committee. The Department may reject a Main Board listing application, but the power to approve such listing applications rests with the Listing Committee. Listing applications are considered on the basis of reports from the Department, which include a recommendation on whether or not to approve the application. In respect of each application considered by the Committee, it may approve the application, with or without the imposition of conditions, reject the application or defer a decision pending the submission of further information.
7. The power to approve the cancellation of listing of securities ("delisting") rests with the Listing Committee. Main Board issuers may be delisted under the three-stage process set out in Practice Note 17 of the Rules. They may also be delisted under Chapter 6 of the Main Board Rules. GEM Rules 9.14 to 9.18 deal with the delisting of GEM companies.
8. The Listing Committee's approval is required to place a Main Board issuer in the third stage of the delisting procedures under Practice Note 17 of the Rules, to give a Main Board or GEM issuer notice of the Exchange's intention to delist the issuer, or to cancel the listing of a Main Board or GEM issuer. The Listing Committee's decision to delist a Main Board or GEM issuer may be subject to review by the Listing (Review) Committee and, in turn, the Listing Appeals Committee.
9. At each regular meeting, the Department provides the Listing Committee with information on companies whose shares have been suspended from trading since the last regular meeting of the Listing Committee. Each month, the Listing Committee receives an information paper on companies whose shares have been suspended for a prolonged period. This forms the basis for a monthly update that is published on the HKEX website in respect of long suspended companies.
10. Policy matters are generally dealt with at policy meetings of the Listing Committee as this helps to ensure broad participation from the Listing Committee membership. The Listing Committee aims to hold policy meetings on a quarterly basis. Nonetheless it is sometimes necessary for issues to be considered at regular meetings of the Committee. These items are normally in the nature of reporting back on minor revisions to policy previously agreed at quarterly policy meetings or amendments to the Rules which have previously been approved at quarterly policy meetings that are minor in nature but which, nonetheless, require the Listing Committee's approval.
11. Disciplinary matters are generally dealt with at specially convened meetings of the Listing Committee. For contested disciplinary actions, written representations are central to the process. A typical case will involve one round of written submissions from the Department and from those alleged to have breached the Rules (the listed issuer and/or its directors), with the Chairman having flexibility to allow additional submissions where it is considered appropriate. At the hearing, the Department and those against whom action is being brought are permitted to make oral representations to supplement their written submissions and Listing Committee members may ask questions of any party or its legal representative present at the meeting. The parties may thereafter make closing submissions.

12. For agreed disposals of disciplinary matters, a settlement proposal as agreed between the Department and the relevant parties is tabled before the Listing Committee at a meeting for the Committee to consider and, where appropriate, to endorse. All settlements are subject to the Committee's approval. For transparency and procedural fairness purposes, all the parties to the disciplinary action are invited to appear before the Committee to address any concerns which the Committee may have in respect of the settlement proposal, and the Committee may also ask questions of the parties present regarding the proposed settlement.

APPENDIX 2 POLICY DEVELOPMENT

MATTERS CONSIDERED DURING THE YEAR

The table below summarises the policy matters considered at the Listing Committee's policy and regular meetings during the year.

Date	Items
9 February 2015 Policy meeting	<ul style="list-style-type: none">• Updates/briefings on<ul style="list-style-type: none">– Responses to Weighted Voting Rights Concept Paper– Cornerstone Investments– Professional Debt Listings– Review of Chapters 2A/2B of the Rules • Review of Placing Guidelines
26 February 2015 Regular meeting	<ul style="list-style-type: none">• Approval of the 2014 Listing Committee Report
19 March 2015 Regular meeting	<ul style="list-style-type: none">• Update/briefing on Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance
11 May 2015 Policy meeting	<ul style="list-style-type: none">• Approvals of Consultation Conclusions on Weighted Voting Rights and Draft "Straw Man" Proposal • Updates/briefings on<ul style="list-style-type: none">– ESG Guide– Professional Debt Listings– GEM applications handled by the Department for the six months ended 31 March 2015 • Reviews of<ul style="list-style-type: none">– Placing of Warrants Using General Mandates– GEM Website
9 June 2015 Regular meeting	<ul style="list-style-type: none">• Approval of Publication of Consultation Conclusions on Weighted Voting Rights
11 June 2015 Regular meeting	<ul style="list-style-type: none">• Updates/briefings on<ul style="list-style-type: none">– Weighted Voting Rights– Listing Suitability of Applicants Holding Interests in Mainland China Businesses through Structured Contracts
25 June 2015 Regular Meeting	<ul style="list-style-type: none">• Updates/briefings on<ul style="list-style-type: none">– Weighted Voting Rights "Straw Man" Proposed Discussions with Stakeholders– Transparency and Publicity for Enforcement Matters

Date	Items
2 July 2015 Regular meeting	<ul style="list-style-type: none"> • Approvals of <ul style="list-style-type: none"> – Publication of Consultation Paper on ESG Guide – Publication of 2014 Financial Statements Review Programme Report
16 July 2015 Regular meeting	<ul style="list-style-type: none"> • Update/briefing on Implementation Schedule of Trading Halts
30 July 2015 Regular meeting	<ul style="list-style-type: none"> • Approval of Updated Guidance for Applicants Holding Interests in Mainland China Business through Structured Contracts • Update/briefing on Proposed Withdrawal of Listing Decision
27 August 2015 Regular meeting	<ul style="list-style-type: none"> • Update/briefing on Listing of companies incorporated in India • Approval of the Country Guide on Nevada
10 September 2015 Regular meeting	<ul style="list-style-type: none"> • Preferential Treatment of Connected Clients under the Placing Guidelines
5 October 2015 Policy meeting	<ul style="list-style-type: none"> • Approvals of <ul style="list-style-type: none"> – Proposed Way Forward in relation to Weighted Voting Rights and Publication of the Relevant Announcement – Publication of Guidance Letter on Short Term Trading Halts – Rule Amendments relating to the Term of Office of Listing Committee Members • Updates/briefings on <ul style="list-style-type: none"> – Flexibility in Pricing of Initial Public Offerings – Placing to Connected Clients and Existing Shareholders under the Rules – Long Suspension and Delisting Policy – RTO Activities in 2014 and 2015 – Recent Market Activities in Backdoor Listings, Listed Shells and Cash Companies – Proposed Guidance on Cash Company Rules – Distributions of Unlisted Assets by Listed Issuers
8 October 2015 Regular meeting	<ul style="list-style-type: none"> • Update/briefing on the SFC's 2015 Annual Review of the Exchange's Performance in Its Regulation of Listing Matters
29 October 2015 Regular meeting	<ul style="list-style-type: none"> • Approvals of <ul style="list-style-type: none"> – India as an Acceptable Jurisdiction – Publication of the Country Guide on India
17 November 2015 Regular meeting	<ul style="list-style-type: none"> • Approvals of <ul style="list-style-type: none"> – Consultation Conclusions on Review of the ESG Guide and Proposed Amendments to the ESG Guide – Corporate Governance Implementation Review 2014

Date	Items
19 November 2015 Regular meeting	<ul style="list-style-type: none"> • Approvals of <ul style="list-style-type: none"> - Russia as an Acceptable Jurisdiction - Publication of the Country Guide on Russia
30 November 2015 Policy meeting	<ul style="list-style-type: none"> • Updates/briefings on <ul style="list-style-type: none"> - Review of Chapter 2A of the Rules (Disciplinary Aspects) - Review of Chapters 2A and 2B of the Rules - Procedural Issues relating to Committee Hearings (Disciplinary and Non-Disciplinary Review) - GEM applications Handled by the Department for the Six Months ended 30 September 2015 - Development on Cash Company Rule issues since the October 2015 Policy Meeting - Proposal to Shorten the IPO Settlement Cycle - Guidance on Placing to Connected Clients and Existing Shareholders under the Rules • Approvals of <ul style="list-style-type: none"> - Listing Document Simplification Guide - Delegation of Authority to the Head of Listing to Grant Waiver from the Assured Entitlement Requirement under Paragraph 3(f) of Practice Note 15
17 December 2015 Regular meeting	<ul style="list-style-type: none"> • Approvals of <ul style="list-style-type: none"> - Guidance Letter on Cash Company Rules - Revised Guidance Letter on Placing to Connected Clients and Existing Shareholders under the Rules

APPENDIX 3 MEETING STATISTICS

The following meetings were held during the period covered by this report and in the preceding period:

Nature of Meeting	Number of Meetings		Average Number of Members in Attendance	
	2015	2014	2015	2014
Regular Meetings:				
– With regular business only	32	42	15.9	15.5
– With policy items	15	8	18.7	20.1
Total	47	50	16.8	16.2
Review Meetings (*excluding reviews by Listing Appeals Committee)	18	18	6.8	7.4
Disciplinary Meetings	8	6	8.5	9.0
Quarterly and ad hoc policy meetings	4	4	26.3	25.5
Total	77	78		

Details of members' attendance at meetings are set out in Appendix 4.

APPENDIX 4 ATTENDANCE AT MEETINGS

Member	NATURE OF MEETING							
	Regular		Policy		Disciplinary		Review	
	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
In office all year								
Mr Stephen Taylor (Note 4)	36/47	77	4/4	100	3/6	50	4/8	50
Mr Stephen Brown	28/47	60	3/4	75	4/7	57	7/12	58
Mr John Ho (Note 5)	28/33	85	4/4	100	3/6	50	4/12	33
Mr Charles Li	23/47	49	4/4	100	-	-	-	-
Mr Kevin Chan	36/20	180	4/4	100	4/5	80	5/7	71
Ms Julia Charlton	40/19	211	4/4	100	5/5	100	7/7	100
Mr Eric Chow	30/22	136	4/4	100	2/3	67	3/7	43
Mr Stephen Clark	28/20	140	4/4	100	1/1	100	6/7	86
Mr Nial Gooding	35/19	184	3/4	75	2/4	50	6/9	67
Ms Yvonne Ho	30/23	130	4/4	100	5/5	100	5/8	63
Mr Alvin Leung	22/21	105	4/4	100	2/5	40	7/13	54
Mr John Maguire	29/24	121	4/4	100	3/5	60	4/9	44
Mr Paul Phenix	42/23	183	4/4	100	2/4	50	5/6	83
Mr Daniel Swift	24/22	109	2/4	50	1/4	25	1/14	7
Mrs Alexandra Tracy	27/21	129	4/4	100	3/5	60	6/8	75
Mr Philip Tye	30/21	143	4/4	100	4/6	67	10/12	83
Mr Andrew Weir	36/21	171	4/4	100	2/4	50	1/7	14
Ms Eirene Yeung	13/22	59	4/4	100	2/5	40	0/11	0
Ms Wendy Yung	22/18	122	4/4	100	2/6	33	4/10	40
Ms Helen Zee	27/20	135	4/4	100	1/5	20	2/8	25
Appointed this year (Note 6)								
Mr Peter Brien	14/10	140	1/2	50	2/3	67	5/8	63
Mr Edmond Chan	15/10	150	2/2	100	2/2	100	2/2	100
Mr Paul Chau	16/12	133	2/2	100	1/1	100	5/5	100
Mr Vincent Duhamel	10/11	91	1/2	50	1/2	50	1/7	14
Mr Blair Pickerell	11/10	110	1/2	50	1/2	50	3/6	50
Mr Donald Roberts	11/11	100	2/2	100	2/2	100	3/5	60
Ms Catherine Yien	18/9	200	2/2	100	0/2	0	5/7	71
Mr Dieter Yih	17/11	155	2/2	100	1/3	33	2/4	50
Retired this year (Note 7)								
Mr Carmelo Lee	17/23	74	2/2	100	1/4	25	3/3	100
Mr Arnold Ip	14/12	117	2/2	100	2/2	100	2/4	50
Mr Anthony Leung	6/11	55	2/2	100	0/3	0	1/5	20
Mr Samson Li	12/10	120	2/2	100	0/0	n/a	1/1	100
Mr Liu Ting An	10/11	91	2/2	100	2/2	100	1/5	20
Mr Andrew Malcolm	11/11	100	2/2	100	2/3	67	1/3	33
Mr Daniel Ng	11/10	110	2/2	100	0/3	0	0/4	0
Ms May Tan	10/10	100	2/2	100	0/2	0	0/5	0

Notes:

Attendance

- 1 For policy meetings and regular meetings at which policy matters were discussed, attendance includes participation by telephone.
- 2 Percentage attendance at regular meetings is calculated based on actual attendance and the number of meetings that the member was pooled for (i.e. scheduled to attend) during the year in accordance with a pooling schedule. The Chairman, Deputy Chairmen and Chief Executive are pooled to attend all regular meetings. Other members are pooled to attend approximately half of the regularly scheduled meetings. In all cases the number of meetings that a member is pooled for will be reduced by one if:
 - a meeting that the member is pooled for is cancelled; or
 - the member is conflicted on all substantive matters to be considered at a meeting that the member is pooled for.
- 3 Percentage attendance at review and disciplinary meetings is based on the number of meetings a member was eligible to attend having regard to potential conflicts of interest and whether the member had attended the meeting reaching the decision that was being reviewed. Members' unavailability due to other commitments on a scheduled date has not been taken into account in the table above. The Chief Executive does not participate in review and disciplinary meetings.

Other

- 4 Mr. Stephen Taylor was appointed as the Chairman on 10 July 2015, having previously been a Deputy Chairman.
- 5 Mr. John Ho was appointed as a Deputy Chairman on 10 July 2015, having previously been an ordinary member.
- 6 Members were appointed on 10 July 2015.
- 7 Members retired on 10 July 2015.



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