

ROLE AND MODE OF OPERATION OF THE COMMITTEE

Listing Committee

1. Members are appointed to the Listing Committee by the Board of the Exchange based on nominations that have been made by the Listing Nominating Committee. Prior to 3rd February 2006, the Listing Nominating Committee consisted of the Chief Executive of the Exchange, two members of the Board of HKEx and the Chairman and two executive directors of the SFC. Effective on 3rd February 2006, the composition of the Listing Nominating Committee has been changed such that the HKEx representatives are three non-executive members of the Board of HKEx rather than two members of the Board of HKEx and the Chief Executive of the Exchange.
2. Members are appointed annually. Unless re-appointed their term of office ends no later than 30 days after the first board meeting of SEHK following the annual general meeting after members have been appointed.
3. To provide consistency and continuity across the Committees most members are appointed as members of the GEM and Main Board Committees. Reflecting that committee's larger size certain members were appointed to the Main Board Committee only. Since 19th May 2006, rule amendments came into effect to expand each of the GEM and Main Board Committees to comprise at least 28 members and they have identical members. The rule amendments also increase the maximum term for the members of the GEM and Main Board Committees to six years.
4. The overlap in membership enables the two Committees to be operated as one committee for most purposes and much of the routine business of the Committees is conducted at combined meetings. This approach is not adopted for disciplinary meetings nor is adopted for meetings at which decisions of the Listing Division or the Listing Committee are reviewed.

Listing Appeals Committee

5. The Listing Appeals Committee consists of three members of the HKEx Board: the Chairman of HKEx, who chairs the committee; one member appointed by the Chairman as deputy chairman of the Committee for the term of his office as a director of HKEx; and one member appointed by the Chairman when the Committee is called upon to consider a case. Appropriate modifications to membership are made where conflicts of interest arise.
6. A Memorandum of Understanding was entered into between SEHK and the SFC on 6th March 2001 pursuant to which the SEHK continued to be responsible for the day-to-day administration of all listing-related matters. It also provided for decision-making power to be delegated by the Board of SEHK.

7. The Board of SEHK retains the power to make and amend its Listing Rules subject to the approval of the SFC. All of its other powers and functions in respect of all listing matters are discharged by those to whom the powers have been delegated including the Listing Committee, the Listing Division and the Chief Executive of the Exchange. This arrangement is reflected in the Listing Rules (see Main Board Rule 2A.01 and GEM Rule 3.01).
8. The arrangements in place recognise as a practical matter it is not possible for formal decision making to be taken by the Listing Committee on the very substantial number of matters arising from the day-to-day administration of the Listing Rules.
9. Equally to avoid jeopardising the independence of the Listing Committee it is not desirable for the Committee to become involved in an executive role directing the day-to-day affairs of the Listing Division. Accordingly the Listing Committee has reserved the power to take those decisions that are of material significance for the listed companies, sponsor firms and individuals concerned.
10. The relevant decisions include: granting approval for listing of new equity applicants; approval of the cancellation of listing; the finding of a breach of the Listing Rules and the imposition of disciplinary sanctions or remedial conditions; the endorsement, variation or modification of decisions made by the Listing Division and in some circumstances the Listing Committee on application for a review; the approval of a specified category of waiver; approval of significant policies and Listing Rule amendments.
11. In all other areas the Listing Division interprets, administers and enforces the Listing Rules, subject to the review of the Listing Committee under procedures set out in the Listing Rules. For each decision to be made by the Listing Committee the Listing Division will make a recommendation and prepare report with suitable analysis to assist Committee members reaching an informed decision on the relevant matter.
12. The Secretary to the Committee, who is also Head of the Listing Division, sets the agenda of Listing Committee meetings and determines the priorities of Listing Division and the allocation of its resources. Decisions of the Listing Committee, particularly in a policy context often have an operational impact for the Listing Division. However, the Listing Committee does not determine the strategic objectives, or the annual operating plan and budget or the level of resources of the Listing Division. Similarly the Listing Committee is not involved in the appointment and terms and conditions of Listing Division staff. These operational matters are handled by the staff of HKEx. The Board of HKEx approves the Exchange's strategic plans and its annual operating plan and budget including that of the Listing Division.

Mode of Operation

13. The principal mode of operation of the Committee is through meetings at which a quorum of members is present. Meetings held by the Committee fall into the

following categories: regular meetings, generally held each week; review meetings, to review decisions made by either the Committee or Division; disciplinary hearings, to consider disciplinary action brought by the Division and also including disciplinary review meetings, where the Committee reviews decisions taken at disciplinary meetings of the Committee; and policy meetings, at which policy issues are discussed. The quorum for meetings of the committee is five members present in person. Where a Committee meeting is convened to review a decision of its own or of the Division the Chief Executive may not count in that quorum.

14. A pooling arrangement is operated to help reduce the workload involved for individual members attending regular meetings, and also to provide a pool of members from which to draw if a decision made by the Committee is required to be reviewed at a subsequent meeting. Under the pooling arrangements all members, except the Chairman, Deputy Chairman and the ex officio member are “paired” with another member. Under the pooling arrangement a member will be designated as the primary or secondary member for a particular week’s regular meeting, and the member with whom he or she is paired will be designated as secondary or primary as appropriate. Members are designated as primary or secondary on a fifty-fifty basis. Thus, over the course of the year, a member would be on primary for approximately half of the Committee’s regular meetings. The pooling arrangement does not apply to disciplinary, review and policy meetings.
15. Regular meetings of the Listing Committee are normally held each week with breaks at Lunar New Year, Easter, Christmas and New Year. If the volume of work so demands, additional regular meetings are scheduled. Disciplinary meetings and Review meetings, to consider reviews of decisions reached by the Committee or the Division are held as required. Policy meetings are normally held quarterly with supplementary meetings as necessary.

Handling Conflicts of Interest

16. The Rules governing the proceedings of the Listing Committee incorporate specific requirements relating to the handling of conflicts of interests. These provisions require that a member who is in any way, whether directly or indirectly, materially interested in a matter to be discussed at a meeting must declare any such material interest to the Secretary prior to the meeting or to those present at the meeting and, whenever appropriate and practicable, return all relevant papers to the Secretary as soon as he becomes aware of the conflict. If the member attends the meeting at which the matter is to be considered he must leave the meeting immediately when such matter comes up for discussion and only return after it has been dealt with. The arrangements preclude a member with a material conflict of interest from participating in the deliberation of the issue or counting as part of the quorum present at the meeting. The minutes of Listing Committee meetings record all declared conflicts of interest.