

LISTING COMMITTEE REPORT

HKEX
香港交易所

2016

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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 2016. 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 plans to consider in 2017 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 27 February 2017. It will be forwarded to the Financial Services and the Treasury Bureau, the Securities and Futures Commission (“SFC”) and posted on the HKEX website.

2016 has been an exceptionally busy year for the Listing Committee and the Exchange. The Listing Committee considered 92 listing applications. The Exchange also published 11 Listing Decisions and six Guidance Letters. These were the product of the Listing Committee’s continuing focus on the quality and reputation of the Exchange’s markets covering primarily the following three subject areas: (a) suitability for listing, particularly of companies seeking a listing for the perceived premium attached to listing status as opposed to a genuine need for fund raising to develop their businesses (commonly known as “shell companies”); (b) “backdoor listing” of companies seeking to list through “shell companies” to circumvent listing rule requirements including initial eligibility requirements; and (c) capital raisings of listed issuers. Four sub-committees have also been set up to discuss pre-IPO investments, corporate governance, capital raisings and backdoor listing.

The Exchange has been using the Rules² coupled with publication of Listing Decisions and Guidance Letters to curb questionable market trends or practices in an efficient and effective manner. Alongside these efforts we continue to apply a more robust delisting policy for long suspended companies.

In addition to the publication of Listing Decisions and Guidance Letters, the Listing Committee has reviewed whether the existing Listing Rules are sufficient to address concerns raised relating to the backdoor listing of companies and capital raising of listed issuers as well as procedures for delisting long suspended companies. The Exchange is in the process of formulating proposals for the purposes of publishing consultation papers in 2017 on backdoor listing of companies, capital raising of listed issuers and delisting to seek market feedback on proposed Listing Rule changes. The Exchange will also continue to monitor the effectiveness of the Guidance Letter published in 2016 on the suitability of listing applicants that exhibit shell characteristics.

1 The Main Board and Growth Enterprise Market (“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.

2 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.

On 9 December 2016, the Exchange and the SFC issued a joint statement on close monitoring of highly dilutive rights issues and open offers. These are offers that substantially dilute the interests of non-subscribing minority shareholders, and may not be conducted in a manner that affords fair and equal treatment to all shareholders.

Another substantial matter considered by the Listing Committee in the year was the review of GEM. The Listing Committee considered issues such as the volatility in the share prices of GEM companies immediately following their initial listings and the number of high concentration announcements issued on GEM companies. On 20 January 2017, the Exchange and the SFC published a joint statement to address the issue of price volatility of GEM stocks as a first step prior to a public consultation on GEM. In 2017 we will consult the market on regulatory issues relating to GEM and would encourage all stakeholders to respond to this paper as well as those mentioned above.

The Listing Committee's work over the past year has been conducted against the background of the publication, in June 2016, by HKEX and SFC of a joint consultation paper on "Proposed Enhancements to The Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation" (the "Joint Consultation"). Although the Listing Committee was not involved in the development of the Joint Consultation, the Committee spent significant effort in discussing and developing constructive comments on the Joint Consultation proposals which were submitted prior to the deadline of 18 November 2016.

In addition to its vetting, supervision and enforcement responsibilities, the Exchange continued its market education efforts on listing matters by conducting 12 seminars for listed issuers' directors, authorised representatives, company secretaries on the Environmental, Social and Governance ("ESG") Reporting Guide (the "ESG Guide") which came into effect in 2016. The Exchange also provided listed issuers with helpful resources on its website to facilitate compliance with the ESG Guide. In December, the Exchange announced the launch of training for company directors. The training, planned to roll out quarterly in 2017, will cover a broad range of topics, including, but not limited to the duties of directors, risk management and internal control.

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

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, the Department and the Exchange have taken. A full list of policy matters considered by the Committee is set out in Appendix 2.

CONSULTATIONS

Joint Consultation Paper on Proposed Enhancements to The Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation

2. The SFC and HKEX issued the Joint Consultation on 17 June 2016. The proposals aimed to:
 - (a) achieve, through the Listing Policy Committee, closer coordination and cooperation between the SFC and the Exchange on listing policy formation and provide the SFC with earlier and more direct input on listing policy matters and listing regulation;
 - (b) streamline, through the Listing Regulatory Committee, the processes for important or difficult Listing Decisions that raise suitability issues or have broader policy implications. This would allow the SFC to have earlier and more direct input on these decisions and to collaborate with the Exchange on decision-making;
 - (c) simplify the process for initial listing applications so that they can be vetted and approved more efficiently; as part of the proposals, the SFC will no longer, as a matter of routine, issue a separate set of comments on draft IPO prospectuses under the dual filing regime; and
 - (d) establish clearer accountability for decision-making in listing regulation and for oversight of the administration of the Rules.
3. The Joint Consultation is available on the HKEX website. The consultation period closed on 18 November 2016.
4. Though the Listing Committee was not involved in the development of the proposals under the Joint Consultation, a significant amount of time was spent in preparing a constructive response to the Joint Consultation.³

³ The Committee submitted a response to the Joint Consultation on 15 November 2016 that is published on the HKEX website.

PROSPECTUS AND LISTING PROCESS

Guidance Letter on IPO vetting and suitability for listing

5. For the purpose of maintaining the quality and reputation of the Hong Kong market, at a regular meeting on 12 May 2016, the Committee considered the Department's proposal to issue a Guidance Letter (HKEX-GL68-13A) on IPO vetting and suitability for listing (the "Suitability Guidance Letter"). This followed the Exchange's review of applicants that exhibit characteristics that may indicate that they wish to list due to the perceived premium attached to the listing status rather than the development of their underlying business or assets.
6. The Suitability Guidance Letter was approved by the Committee at a regular meeting on 2 June 2016 and published on 3 June 2016 on the HKEX website.

Cornerstone investments

7. At the October 2016 policy meeting, the Committee considered the Department's analysis of the impact of cornerstone investments on the Hong Kong IPO market in view of market comments.
8. The Committee agreed that the Department should review the use of cornerstone investments and conduct preliminary discussions with market participants and stakeholders. This is with the aim of gaining a better understanding on how cornerstone investments form part of, and thus impact, the price discovery process of IPOs and the associated impact on the secondary market liquidity before concluding whether any changes are required.

Interpretation of "controlling shareholder" and related Rules

9. At the March 2016 policy meeting, the Committee considered the Department's proposal to issue a Guidance Letter (HKEX-GL89-16) ("GL89-16") to: (i) provide guidance on the Exchange's interpretation of the definition of "controlling shareholder" as set out in the Rules; and (ii) clarify the Exchange's practice regarding certain key obligations of a "controlling shareholder" under the Rules, including the ownership continuity and control requirement, the lock-up requirement and various disclosure obligations at the pre-listing and the post-listing stages.
10. The Committee agreed that in identifying a "controlling shareholder", the Department should presume the following persons to be a group of controlling shareholders:
 - (a) persons who hold their interest in the listing applicant through a common investment holding company; and
 - (b) shareholders who are "close associates" of each other as defined under the Rules.

The listing applicant may rebut the presumption by providing a detailed submission to the Exchange.

11. The Committee endorsed the publication of GL89-16, which was published on 11 November 2016 on the HKEX website.

Clarification of Guidance Letters on pre-IPO investments

12. At the March 2016 policy meeting, the Committee considered the Department's proposal to amend certain Guidance Letters on pre-IPO investments ("Pre-IPO Guidance") to clarify the following:
 - (a) exiting from a pre-IPO investment within 28 days before submission of the first listing application or after submission of the first listing application violates the Pre-IPO Guidance and listing can only take place 180 clear days after the exit;
 - (b) exercise of a redemption right is not the same as "unwinding the pre-IPO investment" as set out in the Pre-IPO Guidance; and
 - (c) the interpretation of the phrase "when listing does not take place"⁴ set out in the Pre-IPO Guidance.
13. At a regular meeting on 8 June 2016, the Committee agreed that a sub-committee should be established to conduct a holistic review of the Pre-IPO Guidance. The sub-committee on pre-IPO investments has had three meetings up to December 2016.
14. At the October 2016 policy meeting, the Committee considered draft Pre-IPO Guidance presented by the Department following discussions with the sub-committee. The Department revised the Pre-IPO Guidance to reflect the Committee's comments. The Exchange published the revised Pre-IPO Guidance (Guidance Letters ([HKEX-GL43-12](#), [HKEX-GL44-12](#) and [HKEX-GL29-12](#))) on 10 March 2017.

Liquidity arrangements for new applicants listing by introduction where securities are already listed on another stock exchange

15. At the October 2016 policy meeting, the Committee considered the Department's proposed measures for enhancing the liquidity of new applicants seeking to list their securities on the Exchange by way of introduction where they are already listed on another stock exchange ("Introduction Applicants").
16. The Committee noted that there was a general lack of liquidity of shares of Introduction Applicants listed in Hong Kong after the first month of listing. The Committee commented that the liquidity issue could not be addressed unless there was a natural pool of shares.
17. The Committee considered that Introduction Applicants should provide a robust analysis to demonstrate that there is sufficient liquidity to meet demand of their shares on the Hong Kong market after listing and that bridging dealers are able to perform their functions. As part of the listing approval process, liquidity issues of Introduction Applicants will be considered by the Committee on a case-by-case basis.

⁴ Pursuant to the Pre-IPO Guidance, the only event in which a put or exit option is allowed is when the terms of a pre-IPO investment clearly states that the put or exit option could only be exercised when listing does not take place.

Review of the reallocation mechanism of shares between the public subscription tranche and the placing tranche

18. At the March 2016 policy meeting, the Committee considered the Department's proposal to set a cap on the proportion of shares that could be allocated to the public subscription tranche from the placing tranche if the former is oversubscribed and the latter is undersubscribed, and to require clear disclosure on the reallocation mechanism in the prospectus and on the reallocation in the allotment results announcement.
19. The Committee agreed with the Department's recommendations and that the Department should conduct preliminary discussions with market participants.
20. At a regular meeting on 27 October 2016, the Committee considered the outcome of the preliminary discussions. The Committee agreed that, as there were different opinions amongst market participants, the Department should seek further input from market participants including the SFC's Public Shareholders Group before finalising any proposals.

LISTING MATTERS

Review of GEM

21. The 2015 Listing Committee Report stated that the Committee decided in November 2015 that a holistic review of GEM should be conducted.
22. At the June 2016 policy meeting, the Committee considered a paper on the review of GEM. This review included the criteria for initial listing and transfer to Main Board. The Committee also considered the Department's analysis of data regarding newly listed issuers including: (i) changes in issuers' share price as compared with their offer price; (ii) share price volatility; (iii) financial performance after listing; and (iv) high shareholding concentration. One of the main concerns identified in the paper was the price volatility due to the lack of an open market in many GEM applicants.
23. The Committee agreed that a holistic review of the positioning of GEM should be conducted in the context of HKEX's strategic plan to create a new board.
24. The Exchange expects to be able to seek market views via a consultation paper on regulatory issues relating to GEM in 2017.
25. In the interim, the Exchange and the SFC published a joint statement on 20 January 2017 to address the issue of price volatility of GEM stocks as an initial step to address some of the current concerns regarding GEM IPO placings while the Exchange continues to work on a broader GEM reform.

Tiering structures of overseas markets

26. At the June 2016 policy meeting, the Committee considered the Department's information paper on examples of tiering structures of overseas markets (such as Mainland China, Canada, Singapore and the United Kingdom). The paper also discussed the relationship between the listing regime and market indexation.

Upgrade of the ESG Guide and training

27. The Exchange published consultation conclusions on a review of the ESG Guide in 2015 which resulted in the upgrade of some of the provisions in the ESG Guide to "comply or explain".
28. To enable a better understanding of the revised ESG Guide and to provide practical training on ESG reporting, the Exchange organised 12 two-hour training seminars in March 2016. The seminars featured speakers from the Department, as well as ESG specialists and listed company representatives who provided in-depth and practical training on ESG reporting. One of the seminars in each language, namely English, Cantonese and Putonghua, has been recorded as webcasts and can be viewed on the HKEX website.

Corporate governance update

29. At the October 2016 policy meeting, the Committee considered the following proposals of the Department:
- (a) publish a press release setting out the Exchange's expectations of directors and announcing the launch of a new directors' training program;
 - (b) launch the directors' training program aimed at improving the quality of directors and the effectiveness of boards; and
 - (c) consider a review of corporate governance issues including those relating to independent non-executive directors and company secretaries.
30. The [press release](#) was issued on 9 December 2016 on the HKEX website. It stated that the Exchange planned to roll out in the first quarter of 2017 a new training program for directors that would cover a broad range of topics, including duties of directors, risk management and internal control. The training will be by way of webcasts on a quarterly basis in order to reach as many directors as possible and to give them the flexibility to view the training according to their own timeline.
31. The Committee also agreed with the corporate governance issues identified by the Department and a sub-committee was set up to discuss the issues. The sub-committee on corporate governance has had two meetings up to February 2017.

Corporate governance implementation review

32. In 2015, the Department’s review of issuers’ corporate governance practices by analysing the disclosures made by 1,237 issuers with a financial year-end date of 31 December 2014 (“December FYE issuers”) showed that December FYE issuers continued to achieve a high rate of compliance on the Corporate Governance Code and Corporate Governance Report (the “CG Code”).
33. In 2016, the Department reviewed issuer’s corporate governance practices by analysing the disclosures made by 318 issuers with a financial year-end date of 31 March 2015 (“March FYE issuers”) and the disclosures by 81 issuers with a financial year-end date of 30 June 2015 (“June FYE issuers”). The review showed that the March FYE and June FYE issuers’ compliance level with the CG Code was comparable with the December FYE issuers.
34. The Committee approved the publication of the Analysis of Corporate Governance Practice Disclosure in March Year-end 2015 Annual Reports and the Analysis of Corporate Governance Practice Disclosure in June Year-end 2015 Annual Reports which were published in May and September 2016, respectively, on the HKEX website.

ONGOING OBLIGATIONS AND OTHER RELATED MATTERS

Backdoor listings and sufficiency of operations

35. The 2015 Listing Committee Report stated that the Committee in October 2015 considered the Department’s papers on (i) recent market activities in backdoor listings, listed shells and cash companies, and (ii) reverse takeover (“RTO”) activities in 2014 and 2015, which aimed to identify specific trends and issues on those areas.
36. Since the October 2015 policy meeting, the Exchange has issued guidance materials on its application of the Rules on RTOs, cash companies and sufficiency of operations of issuers in light of new issues identified in backdoor listing and shell activities, including:
 - (a) a Guidance Letter (HKEX-GL84-15) on the application of cash company Rules to large scale share subscriptions in December 2015;
 - (b) three Listing Decisions (HKEX-LD94-2016, HKEX-LD95-2016 and HKEX-LD96-2016) on the application of RTO Rules on acquisitions where the quality of the assets to be acquired were not considered suitable for listing in March 2016; and
 - (c) three Listing Decisions (HKEX-LD97-2016, HKEX-LD98-2016 and HKEX-LD99-2016) on the application of Rule 13.24 on the remaining businesses of issuers after their proposed disposals of assets in March 2016.

37. At the June 2016 policy meeting, the Committee considered the Department's proposals to amend the Rules to address specific issues and structures identified, including cash companies arising from large scale share subscriptions, backdoor listings through a series of arrangements (e.g. acquisitions before disposals to circumvent the RTO Rules), and insufficient operations after significant disposals. The Committee agreed that the Department should prepare the draft Rules on these areas and explain how they would address backdoor listing and shell activities in practice without unduly restricting legitimate business expansion or diversification by listed issuers.
38. At the October 2016 policy meeting, the Committee considered the Department's revised proposals together with the draft Rules. The Committee agreed that a sub-committee on backdoor listing should be established with an aim of developing a draft consultation paper. The sub-committee on backdoor listing has had four meetings up to February 2017.

Capital raisings and highly dilutive rights issues and open offers

39. The Exchange has continued monitoring issuers' capital raising activities and market developments since the Department's reviews of rights issues and capital raisings conducted in 2012 and 2013, respectively (the "2012/2013 review"). In 2015, the Exchange has identified issues concerning placings of warrants under general mandate and large scale share subscriptions and published Listing Decision ([HKEX-LD90-2015](#)) and Guidance Letter ([HKEX-GL84-15](#)) to explain its approach in handling these specific types of capital raising activities.
40. In 2016, the Department conducted a review of capital raisings by listed issuers between 2013 and 2015 and presented the key findings to the Committee at the October 2016 policy meeting. The Committee noted a significant increase in capital raising activities compared to the 2012/2013 review and issues about highly dilutive rights issues and open offers (highly dilutive offers).
41. The Committee was concerned that some offers which substantially diluted the interests of non-subscribing minority shareholders were not conducted in a fair and equitable manner. These offers, absent any demonstrable commercial rationale, cast doubt on whether the directors of the issuers have complied with the requirement to act in the best interests of shareholders. The Department has adopted a rigorous approach in vetting issuers' proposed offers, including making enquiries where the terms of proposed offers or related transactions raised concerns about unfair dilution of non-subscribing minority shareholders' interests.
42. The Committee endorsed the publication of Listing Decisions on cases where the Exchange refused to grant approval. Listing Decisions [HKEX-LD102-2016](#) and [HKEX-LD103-2016](#) were published in December 2016 on the HKEX website, together with a [joint press release](#) of the Exchange and the SFC on close monitoring of highly dilutive offers.
43. At the October 2016 policy meeting, the Committee also considered the Department's proposed Rule amendments on capital raisings to improve shareholders' protection. The Committee agreed that a sub-committee should be established to consider the proposals with an aim of developing a draft consultation paper. The sub-committee on capital raisings has had three meetings up to March 2017.

Bonus issues of shares

44. At the March 2016 policy meeting, the Committee considered the Department's findings of the review of bonus issues conducted in 2014 and 2015. The Committee noted an increase in listed issuers conducting large scale bonus issues of shares and significant price and volume fluctuations in the trading of their shares during the ex-entitlement period in a majority of these cases.
45. The Committee endorsed the Guidance Letter ([HKEX-GL88-16](#)), which was published on 27 April 2016 on the HKEX website. As set out in the guidance letter, the Exchange is likely to raise concern about the operation of an orderly market when an issuer proposes a bonus issue of shares representing 200% or more of its existing issued shares. The Exchange may not grant listing approval for large scale bonus issues where there is a reasonable likelihood of disorderly trading during the ex-entitlement period.

Share consolidations/subdivisions

46. At the October 2016 policy meeting, the Committee considered the Department's key findings on the review of share subdivisions and share consolidations undertaken by listed issuers between 2014 and early September 2016. The Committee noted that in some cases frequent corporate actions created transaction costs to public shareholders and the issuers could have better planned their actions to minimize the costs and the creation of odd lots.
47. The Committee endorsed the publication of Listing Decision ([HKEX-LD103-2016](#)) to provide guidance to issuers on share subdivisions and share consolidations, which was published in December 2016 on the HKEX website.

Update on short term trading halts

48. As set out in the 2015 Listing Committee Report, the Exchange noted an increase in the number and the duration of trading halts in the first half of 2015. In December 2015, the Exchange published Guidance Letter ([HKEX-GL83-15](#)) ("GL83-15") to remind issuers of their obligations and the good practices in handling transactions and minimizing trading halts.
49. At the March 2016 policy meeting, the Department presented to the Committee an update paper on short term trading halts after the issuance of GL83-15. The Committee noted that there had been a notable reduction⁵ in the number of trading halts mainly attributable to the decrease in corporate transactions and market volatility.
50. The Exchange has worked closely with the SFC prompting much quicker actions from issuers to announce the inside information, thereby shortening the length of trading halt. In addition, with the co-operation of the Mainland stock exchanges and the SFC, trading halts in H shares were minimised where A+H issuers proposed material asset restructurings. The Exchange has updated the guidance on trading suspension arrangements for A+H issuers in the FAQs ([Series 29](#)) relating to Shanghai and Shenzhen Connect. The updated FAQs are available on the HKEX website.

⁵ There were 154 trading halts pending announcements or clarification of unusual price movements from December 2015 to February 2016, compared to 522 from January to June 2015.

Guidance Letter for issuers subject to rumours or market commentaries

51. At the March 2016 policy meeting, the Committee considered the Department's proposal to revise its approach in handling issuers subject to rumours or market commentaries with allegation of fraud, material accounting or corporate governance irregularities (together, "allegations"). The revised approach allows issuers that are subject to allegations and have applied for a trading halt to resume trading in their securities if they can issue a clarification announcement to address or refute the allegations, disclose any inside information and information necessary to allow trading on a fully informed basis. The Exchange may thereafter follow up with the issuer on any further disclosures, reviews or investigations that it considers necessary on matters that have arisen out of the allegations.
52. The Committee endorsed the revised approach to keep any necessary trading halts to a minimum when issuers are subject to allegations. The Committee also endorsed the Department's recommendation to issue a Guidance Letter setting out the revised approach and the issuers' obligations in handling allegations.
53. Guidance Letter (HKEX-GL87-16) was approved by the Committee at a regular meeting on 7 April 2016 and published on 8 April 2016 on the HKEX website.

Delisting policies

54. As noted in the 2015 Listing Committee Report, the Committee reviewed the delisting policy and considered it necessary to adopt a more robust delisting policy in the interest of maintaining the reputation of Hong Kong market. In particular, the existence of long suspended issuers in persistent breach of the Rules in a material manner, or suspected of illegal or improper activities, undermines the quality of the market and its reputation. A robust delisting policy will provide certainty to the market on how the Exchange handles suspended companies.
55. At the June 2016 policy meeting the Committee reviewed the Department's proposals to improve the effectiveness of the delisting framework, with a view to addressing the issue of prolonged suspension of trading in issuers' listed securities. The Committee agreed that the Department should prepare a consultation paper on suspension and delisting policies.
56. At the October 2016 policy meeting, the Committee considered the Department's draft consultation paper on suspension and delisting policies (with the draft Rule amendments). The Committee agreed that the Department should conduct preliminary discussions with stakeholders and, thereafter, consult publicly.

Review of thematic enforcement of the Listing Rules

57. In 2014, the Committee approved the adoption of five themes as the focus for the investigation of possible Rule breaches and follow-up action and directed that this approach to enforcement be kept under regular review (“Enforcement Themes”). This year a review has been conducted by the Department and a paper was presented to the Committee which recommended a modification of the Enforcement Themes resulting in adopting the following seven themes:
- (a) directors’ performance of fiduciary duties, in particular their exercise of care, skill and diligence required under the Rules;
 - (b) financial reporting – delays, or internal controls and corporate governance issues;
 - (c) inaccurate, incomplete and/or misleading disclosure in corporate communication;
 - (d) failure to comply with procedural requirements in respect of notifiable/connected transactions;
 - (e) repeated breaches of the Rules;
 - (f) delayed trading resumption; and
 - (g) failure of issuers and directors to cooperate with the Exchange’s investigation.
58. The Committee endorsed the Department’s recommendation and, on 17 February 2017, the Exchange published a press release on the Enforcement Themes.
59. In parallel, the Department also updated the Enforcement Policy Statement published on the HKEX website, primarily to clarify the circumstances in which investigations may be pursued and action taken notwithstanding parallel interest by the SFC or other law enforcement agencies. The updated Enforcement Policy Statement was published on 17 February 2017.

REGULAR BUSINESS

LISTING APPLICATIONS

60. 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	2016	2015
Meetings within the regular schedule	36	38
Specially convened meetings	7	5

Listing Applications considered by the Listing Committee	2016	2015
Applications considered (Note 1)	92	112
Applications approved (Note 2)	90	109
Applications rejected	1	Nil
Decisions deferred pending further information	1	3

Listing Applications approved and/or listed by the Listing Committee	2016	2015
Applications approved and listed in the year	74	94
Applications approved in previous year and listed in the year	7	10
Applications listed in the year	81	104

Notes:

- 1 2016 includes three (2015: three) very substantial acquisitions and RTOs treated as new listing applications.
- 2 2016 includes seven (2015: two) applications approved at the second hearing.

CANCELLATION OF LISTING

61. 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	
	2016	2015
Main Board		
Companies to be placed into third stage of delisting procedures		
– After resumption proposal rejected as not viable (Note 2)	4	1
– Without submitting resumption proposal	8	–
– Without submitting new listing application for resumption proposal involved reverse takeover	1	–
– Without proceeding with the resumption proposal previously approved	–	1
Listing to be cancelled		
– After resumption proposal rejected as not viable (Note 3)	1	–
– Without submitting resumption proposal	1	–
Company to be given notice of intention to delist under Rule 6.10 (Note 4)	2	1
Trading to be resumed	2	1
GEM		
Company to be given notice of intention to delist under GEM Rule 9.14	–	2
Listing to be cancelled		
– After resumption proposal rejected as not viable (Note 5)	1	1
– Without submitting new listing application for resumption proposal involved reverse takeover (Note 6)	1	1

Notes:

- 1 Unless otherwise indicated these decisions were not appealed.
- 2 Three decisions in 2016 were appealed. One of them was upheld by the Listing Committee and the Listing (Review) Committee. The reviews of two decisions are in progress.
- 3 The decision was appealed and the review is in progress.
- 4 One decision in 2016 was appealed and was upheld by the Listing Committee and the Listing (Review) Committee.
- 5 The decisions were appealed by the companies. The review of the decision in 2016 is in progress. The decision in 2015 was upheld by the GEM Listing (Review) Committee.
- 6 The decisions were appealed and were upheld by the GEM Listing (Review) Committee and the Listing Appeals Committee.

OTHER MATTERS

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

Nature of decision/advice sought	Number of cases	
	2016	2015
Listing Application Requirements		
Requests for pre-application guidance from potential IPO applicants (Note 1)	8	6
Guidance on GEM listing applications	13	5
Conditional approval for placings to a connected client of a sponsor	–	2
Consideration of individuals' suitability to be directors	1	1
Application for waiver from the clawback mechanism	–	3
Ongoing Obligations		
Approval of voluntary withdrawal of listing (Note 2)	19	12
Guidance on cash company Rule (Note 3)	2	9
Approval of waiver from providing an assured entitlement in a spin off	–	8
Placing of unlisted warrants under general mandate	–	2
Guidance on issue of convertible securities	1	5
Guidance on whether a proposed transaction was an RTO	1	1
Guidance on whether a proposed transaction was an extreme very substantial acquisition	3	–
Guidance on reliance on controlling shareholder (Note 4)	2	–
Approval of resumption proposal	–	1
Approval of an issuer of structured products	1	1
Consideration of spin off proposal	–	1
Extension of deadline in connection with a resumption proposal	3	–
Waiver for a re-domicile proposal	1	–
Consideration of issue about "person with substantial influence"	1	–

Notes:

1 2015 includes three cases considered twice.

2 2016 includes 17 ETFs. 2015 includes three ETFs.

3 2015 includes one case considered three times.

4 2016 includes one case considered twice.

SERVICE STANDARDS

LISTING APPLICATIONS

63. 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 2016			% 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	17	40 (Note 1)	9	13 (Note 2)

Notes:

- 1 It took the Department 40 business days to issue the first comment letter for this particular GEM listing application as the Department suspended vetting the application due to suitability concerns.
- 2 The number of applications vetted reached a historical high in 2016 which was 36% higher than the number of applications vetted in 2015 and 45% higher than the 5-year average from 2011 to 2015. Due to the influx of IPO applications and the complexities of some cases, a longer time was required in vetting IPO applications in 2016. In 78% of cases the first round of comments were issued within 20 business days from the date of receipt of the listing application.

MONITORING AND GUIDANCE ACTIONS

64. 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	
		2016	2015
• Pre-vetting activities			
– Initial response to pre-vetted announcements	Same day	98%	96%
– Initial response to pre-vetted circulars (very substantial acquisition)	10 business days	100%	96%
– Initial response to pre-vetted circulars (other than very substantial acquisition)	5 business days	99%	98%
• Issuer enquiries (Note 1)			
– Initial response to issuer's enquiries	5 business days	97%	97%
• Waiver applications (Note 2)			
– Initial response to waiver applications (other than application for delay in despatch of circulars)	5 business days	99%	99%
• Post-vetting activities			
– Initial response to post-vetted results announcements	5 business days	96%	99%
– Initial response to post-vetted announcements (other than results announcements)	1 business day	99%	97%

Notes:

- 1 In 2016, 468 written enquiries (2015: 434) on Rule interpretations and related matters were handled.
- 2 In 2016, 428 waiver applications (2015: 372) from strict compliance with requirements under the Rules were processed.

DISCIPLINARY MATTERS

65. During 2016, a number of investigations arising from breaches of the 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 8.2 months for cases in which investigation was completed in 2016 (9 months in 2015).
66. 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 Rules), to support any prosecution which may be brought as a result. During 2016, the Department provided continuing support to the SFC and other law enforcement agencies by dealing with 59 requests for documents/information and providing six witness statements (61 requests and seven witness statements in 2015).
67. As in previous years, the Department has continued to focus its resources on pursuing the most blatant and serious breaches of the 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 Rules can be found in the updated Enforcement Policy Statement published on 17 February 2017 on the HKEX website.
68. 90% of the 71 investigations conducted during the year (including those which remained active as at 31 December 2016) involved one or more of the Enforcement Themes⁶ adopted as the focus for the investigation of possible Rule breaches and follow-up action.
69. The Disciplinary Procedures (effective since 13 September 2013) are published on the HKEX website. In accordance with these procedures, eight disciplinary actions were brought in 2014, five in 2015 and 11 in 2016.
70. An analysis of the nature of the alleged breaches of the Rules considered by the 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 the Rules	Meetings	Cases
Failure to obtain shareholder approval for connected transactions, major transactions or very substantial acquisitions	6	6
Failure to perform directors' duty of care, skill and diligence	1	1
Failure to cooperate with an Exchange investigation	1	1
Total	8	8

71. For the purposes of the analysis in the preceding paragraph, cases involving more than one alleged breach of the Rules are classified according to the most serious allegation brought in that action.

⁶ See paragraph 57 above.

72. Eight hearings (all of which were first instance hearings) involving eight cases took place during the year. Seven of those cases were concluded and the result had been published in 2016. One of those cases was not concluded and the result had not yet been published as of 31 December 2016. Four further disciplinary actions are live as at the end of 2016.
73. The breaches pursued in the eight disciplinary cases concluded in 2016 fall within the following Enforcement Themes: (a) breach of duty of care, skill and diligence by the subject directors⁷; (b) breach of procedural requirements in respect of notifiable or connected transactions⁸; (c) failure to co-operate in the Exchange's investigations⁹; and (d) financial reporting¹⁰.
74. It should be noted, however, that notwithstanding the themed approach to investigation and discipline, the Exchange will continue to pursue any other breaches of the Rules that may demonstrate sufficiently egregious conduct.
75. An analysis of the outcome of the disciplinary actions concluded during the year (including one hearing which took place in November 2015 which was concluded only in 2016 with publication of a public sanction announcement) is set out in the table below.

Outcome	No. of Cases
Public Sanction	8
Private Sanction	0
No Sanction	0
Total	8

76. The range of sanctions available to the 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.
77. 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 Rule compliance by listed issuers, encompassing dual responsibility to ensure substantive compliance with the Rules and create the conditions for compliance. In view of the Enforcement Themes¹¹, 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 Committee.

	2016	2015	2014
Number of EDs against whom action was taken as a result of contested or settlement cases	23	12	20
Number of NEDs against whom action was taken as a result of contested or settlement cases	4	7	2
Number of INEDs against whom action was taken as a result of contested or settlement cases	5	12	17
Total	32	31	39

7 Enforcement Theme (a) - see paragraph 57 above.

8 Enforcement Theme (d) - see paragraph 57 above.

9 Enforcement Theme (g) - see paragraph 57 above.

10 Enforcement Theme (b) - see paragraph 57 above.

11 See paragraph 57 above.

78. Ongoing disciplinary actions concern a further 25 directors holding either executive or non-executive office.
79. In addition to imposing public and private sanctions to punish past conduct by listed issuers and their management, the Committee has deployed its powers to require listed issuers and their management to take remedial action to rectify breaches of the 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 outcome of disciplinary cases the Committee has considered in this respect.

	2016	2015	2014
Number of disciplinary or settlement cases resulting in an “Internal Control Review” direction	0	1	1
Number of disciplinary or settlement cases resulting in a “Retention of Compliance Adviser” direction	3	1	5
Number of disciplinary or settlement cases resulting in a “Training of Directors” direction	4	3	5

80. A number of the cases considered by the Committee during the year once again illustrate the importance of: (a) taking steps to ensure that issuers and their subsidiaries have adequate and appropriate procedures and systems in place; that the procedures and systems are followed; and their compliance is regularly monitored; and (b) directors having proper understanding of the 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 the issuers and in dealing with the assets of listed issuers in compliance with the Rule requirements.
81. The Exchange continues to expect directors, as senior management, to take responsibility for ensuring that listed issuers identify Rule compliance risk, have appropriate systems and controls in place to mitigate these risks. 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 Committee considers, in the context of the facts and circumstances of each case, to mitigate the level of sanction.
82. The 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 actions, taken in line with established criteria published on the HKEX website and with the overall objectives outlined in the Enforcement Policy Statement (see paragraph 67 above), have contributed to the effective management of the case-load and the delivery of an appropriate regulatory outcome where action before the Committee is not considered to be appropriate.

83. Disciplinary matters can also be disposed of by settlement as approved by the Committee. The Disciplinary Procedures referred to in paragraph 69 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.
84. 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 Committee continues to welcome the efforts made by market users and the Department to bring about the settlement and agreed disposal of disciplinary matters.
85. In summary, the 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 Rules. It will also direct remedial and other actions designed to enhance the corporate governance of listed issuers who have acted in breach of the Rules.
86. The 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 and sanctions may be 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 by 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 Rules suspected; and is an Enforcement Theme¹² for investigation and possible future action. One disciplinary case concluded in the year pursued a breach of this nature resulting in the imposition of a public sanction on one director and others are being actively pursued.
87. Looking ahead, the Exchange will continue to explore ways and means to make the disciplinary regime more effective and responsive to market needs and expectations.
88. In addition, the Exchange has continued to take steps to enhance the transparency of the Exchange's Rule enforcement work. In this regard, the Committee noted that the dedicated "Listing Disciplinary & Enforcement" section housing all enforcement related information and statistics in one location on the HKEX website, launched in 2015, has been updated regularly during the year.

12 Enforcement Theme (g) - see paragraph 57 above.

REVIEW MEETINGS

89. The Listing Committee considered 31 (2015: 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 (2015: two) 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 2016
Listing Appeals Committee	Listing (Review) Committee	Cancellation of listing	2	Upheld: 1 Overturned, subject to conditions: 1
Listing (Review) Committee	Listing Committee	Cancellation of listing	3	Upheld
	Listing Committee	Rejection of a spin-off proposal	1	Upheld
	Listing Committee	Rejection of listing application	1	Upheld
	Listing Committee	Considering a proposed acquisition as a reverse takeover	1	Upheld
	Listing Committee	Placing a company into the third delisting stage	1	Upheld
	Listing Committee	Commencement of delisting	1	Upheld
	Listing Committee	Application of Rule 21.04(3)(a)	1	Upheld
Listing Committee	Listing Department	Rejection of listing application	6	Upheld: 5 Overturned: 1
	Listing Department	Placing a company into the third delisting stage	2	Upheld
	Listing Department	Considering a proposed acquisition as a reverse takeover	2	Upheld
	Listing Department	Placing a company into the first delisting stage	1	Upheld
	Listing Department	Rejection of a spin-off proposal	1	Upheld

Appeal Committee	Decision made by	Nature of Decision	Number of Cases	Outcome as at 31 December 2016
	Listing Department	Not granting listing approval for bonus shares proposed to be issued	1	Upheld
	Listing Department	Rejection of waiver from minimum profit requirement for a spin-off proposal	1	Upheld
	Listing Department	Commencement of delisting	1	Upheld
	Listing Department	Rejection of application for a waiver from compliance with Rule 13.46(2)(b)	1	Overtaken
	Listing Department	Application of Rule 21.04(3)(a)	1	Inappropriate to give general interpretation of Rule 21.04(3)(a)
	Listing Department	Review of decision to return listing application	5	Upheld

90. As at 31 December 2016, there were 11 cases under review as follows:

Appeal Committee	Decision made by	Nature of Decision	Number of Cases
Listing Appeals Committee	Listing (Review) Committee	Cancellation of listing	1
	Listing Committee	Rejection of listing application	1
Listing (Review) Committee	Listing Committee	Cancellation of listing	1
	Listing Committee	Rejection of listing application	1
	Listing Committee	No clear delineation between the business of the issuer's parent and the business the issuer proposed to spin off	1
Listing Committee	Listing Department	Rejection of listing application	2
	Listing Department	Placing a company into the third delisting stage	2
	Listing Department	Director suitability	1
	Listing Department	Cancellation of listing	1

POLICY AGENDA FOR 2017 AND BEYOND

91. We highlight below those matters we currently plan to consider during 2017 and beyond:

Prospectuses and listing process

- Listing Document Simplification Guide implementation review

Listing matters

- Review of the Growth Enterprise Market

Ongoing obligations and other related matters

- Consultation paper on Rule amendments relating to capital raisings of listed issuers
- Consultation paper on Rule amendments relating to backdoor listings and related activities
- Consultation paper on Main Board delisting framework and Rule amendments
- New Auditors' report and Key Audit Matters
- Rule changes resulting from Auditors Regulatory Reform
- Corporate governance and ESG implementation review

APPENDIX 1 COMPOSITION, ROLE AND OPERATIONS OF LISTING COMMITTEE

MEMBERS AS AT 31 DECEMBER 2016

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

CASSIDY Dennis

CHAN Chiu Kong, Edmond

CHAN Wai Yan, Ronald

CHAN Wing Tak, Kevin

CHAN Yuen Shan, Clara

CHARLTON Julia Frances

CHAU Paul

CHOW Yik-Cheung, Eric

CLARK Stephen John

GOODING Nial Dennis Henry

HO Yvonne

MAGUIRE John Martin

POGSON Timothy Keith

ROBERTS Donald Jeffrey

SWIFT Joseph Daniel

TRACY Alexandra Boakes

TYE Philip Andrew

VAN RIJN Arnout

WEIR Andrew Walter Bougourd Ross

YEUNG Eirene

YIEN Yu Yu, Catherine

YIH Lai Tak, Dieter

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; and
 - (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; and
 - (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
21 January 2016 Regular meeting	<ul style="list-style-type: none">• Updates/briefings on Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance
18 February 2016 Regular meeting	<ul style="list-style-type: none">• Approval of the 2015 Listing Committee Report
21 March 2016 Policy meeting	<ul style="list-style-type: none">• Update/briefing on<ul style="list-style-type: none">– Structured Products Issuers Annual Performance Review• Review of<ul style="list-style-type: none">– Disclosure in Issuers' Annual Reports to Monitor Rule Compliance– Issue of Guidance Letter on handling issuers under short seller attack– Bonus Issues of Shares– Reallocation mechanism of shares between the public subscription tranche and the placing tranche– Clarification of Guidance Letters on Pre-IPO Investments• Approval of<ul style="list-style-type: none">– Publication of Guidance Letter on issues related to "controlling shareholder" and related Listing Rules implications– Proposed Housekeeping Rule Amendments– Guidelines on discussion of cases prior to hearings
7 April 2016 Regular meeting	<ul style="list-style-type: none">• Approval of Guidance Letter on handling issuers under short seller attack• Updates/briefings on Committee member's question on embargo of documents prior to publication window
5 May 2016 Regular meeting	<ul style="list-style-type: none">• Approval of Corporate Governance Implementation Review March Year-end 2015
12 May 2016 Regular meeting	<ul style="list-style-type: none">• Review of supplemental Guidance Letter on suitability in the context of identifying potential shell companies at the time of listing application
2 June 2016 Regular meeting	<ul style="list-style-type: none">• Approval of Guidance Letter on IPO vetting and suitability for listing
8 June 2016 Regular 2016	<ul style="list-style-type: none">• Update/briefing on proposed Amendments to Guidance Letters on Pre-IPO Investments

Date	Items
17 June 2016 Regular meeting	<ul style="list-style-type: none"> • Update/briefing on Listing Regulation
27 June 2016 Policy meeting	<ul style="list-style-type: none"> • Update/briefing on <ul style="list-style-type: none"> – Listing Regulation – Performance and Quality of Issuers newly listed in 2014 and 2015 – Tiering Structures of Overseas Markets – Review of the Financial Eligibility Requirements for the Main Board – GEM applications handled by the Listing Department for the six months ended 31 March 2016 • Review of the Growth Enterprise Market
30 June 2016 Regular meeting	<ul style="list-style-type: none"> • Update/briefing on <ul style="list-style-type: none"> – Suspension and delisting policies – Backdoor listings and shell activities • Approval of Financial Statements Review Programme Report 2015 • Review of Thematic Enforcement of the Listing Rules
8 September 2016 Regular meeting	<ul style="list-style-type: none"> • Approval of Corporate Governance Implementation Review June Year-end 2015
6 October 2016 Regular meeting	<ul style="list-style-type: none"> • Approval of general waiver from the assured entitlement requirement under paragraph 3(f) of Practice Note 15
24 October 2016 Policy meeting	<ul style="list-style-type: none"> • Update/briefing on <ul style="list-style-type: none"> – Highly dilutive rights issues and open offers and related issues – Capital Raisings by Listed Issuers – Backdoor Listing and Continued Listing Criteria – Draft Consultation Paper on Delisting and other Rule amendments – Corporate Governance Update – Clarification of Guidance Letters on Pre-IPO Investments – Applicability of the New Auditor Regime on Debt Securities Listed under Chapter 37 of the Main Board Listing Rules and Structured Products Listed under Chapter 15A of the Main Board Listing Rules • Approval of <ul style="list-style-type: none"> – Proposed Minor Rule Amendments to Update the Audit Terminology Used in the Rules with Reference to the HKICPA New and Revised Auditor Reporting Standards
27 October 2016 Regular meeting	<ul style="list-style-type: none"> • Review of Flexibility in Pricing of Initial Public Offerings and Reallocation Mechanism of Shares between the Retail Tranche and the Placing Tranche

Date	Items
3 November 2016 Regular meeting	<ul style="list-style-type: none"> Update/briefing on liquidity arrangements for new applicants listing by introduction where securities are already listed on another stock exchange
14 November 2016 Regular meeting	<ul style="list-style-type: none"> Update/briefing on Cornerstone Investments
17 November 2016 Regular meeting	<ul style="list-style-type: none"> Update/briefing on HKICPA's Invitation to Comment on Exposure Draft of Proposed HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars
8 December 2016 Regular meeting	<ul style="list-style-type: none"> Update/briefing on Section 378 of the Securities and Futures Ordinance: Granting of consent to disclose regulatory information
12 December 2016 Regular meeting	<ul style="list-style-type: none"> Update/briefing on ICAC Report on Listing Enforcement Procedures and Practices
15 December 2016 Regular meeting	<ul style="list-style-type: none"> Approval of Israel as an Acceptable Jurisdiction
19 December 2016 Regular meeting	<ul style="list-style-type: none"> Approval of updated guidance for applicants and issuers holding interests in Mainland China businesses through Structured Contracts

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	
	2016	2015	2016	2015
Regular meetings:				
– With regular business only	32	32	15.6	15.9
– With policy items	19	15	18.5	18.7
Total number of regular meetings	51	47	16.7	16.8
Review meetings (excluding reviews by Listing Appeals Committee)	31	18	7.4	6.8
Disciplinary meetings	8	8	6.9	8.5
Quarterly and ad hoc policy meetings	3	4	24	26.3
Total number of meetings	93	77		

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

APPENDIX 4 ATTENDANCE AT MEETINGS

NATURE OF MEETING (Note 1)

	Regular		Policy		Disciplinary		Review	
	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
Mr Stephen Taylor	43/50	86	3/3	100	3/4	75	11/15	73
Mr Stephen Brown	34/50	68	3/3	100	5/8	63	9/23	39
Mr John Ho	30/50	60	3/3	100	5/8	63	9/26	35
Mr Charles Li (Note 3)	8/50	16	2/3	67	n/a	n/a	n/a	n/a
Mr Peter Brien	27/30	90	3/3	100	2/3	67	10/17	59
Mr Edmond Chan	35/26	135	3/3	100	1/2	50	11/11	100
Mr Kevin Chan	34/31	110	3/3	100	1/4	25	12/16	75
Ms Julia Charlton	43/27	159	3/3	100	2/4	50	14/17	82
Mr Paul Chau	38/27	141	3/3	100	0/1	0	13/14	93
Mr Eric Chow	28/27	104	3/3	100	1/3	33	11/15	73
Mr Stephen Clark	34/31	110	3/3	100	2/2	100	11/12	92
Mr Nial Gooding	37/27	137	3/3	100	2/3	67	8/12	67
Ms Yvonne Ho	33/31	106	2/3	67	3/4	75	12/17	71
Mr John Maguire	33/27	122	3/3	100	3/4	75	7/14	50
Mr Donald Roberts	17/31	55	1/3	33	2/4	50	6/16	38
Mr Daniel Swift	27/26	104	3/3	100	1/4	25	1/19	5
Mrs Alexandra Tracy	35/27	130	2/3	67	0/3	0	8/12	67
Mr Philip Tye	29/30	97	3/3	100	3/4	75	13/19	68
Mr Andrew Weir	45/32	141	3/3	100	3/4	75	3/8	38
Ms Eirene Yeung	12/27	44	3/3	100	0/3	0	2/19	11
Ms Catherine Yien	27/31	87	3/3	100	3/4	75	9/14	64
Mr Dieter Yih	35/27	130	2/3	67	2/4	50	7/12	58
Ms Helen Zee	23/30	77	2/3	67	1/5	20	6/17	35
Appointed this year (Note 7)								
Mr Dennis Cassidy	16/17	94	1/1	100	1/1	100	6/10	60
Mr Ronald Chan	16/17	94	1/1	100	2/2	100	5/10	50
Ms Clara Chan	11/13	85	1/1	100	2/2	100	6/12	50
Mr Keith Pogson	21/17	124	1/1	100	0/1	0	5/8	63
Mr Arnout van Rijn	14/13	108	1/1	100	1/3	33	3/11	27
Retired this year (Note 8)								
Mr Vincent Duhamel	6/14	43	1/2	50	0/2	0	2/9	22
Mr Alvin Leung	14/14	100	1/2	50	1/1	100	2/6	33
Mr Paul Phenix	21/14	150	1/2	50	0/1	0	3/7	43
Mr Blair Pickerell	11/14	79	2/2	100	2/2	100	3/7	43
Ms Wendy Yung	14/13	108	2/2	100	1/1	100	2/8	25

Notes:

- 1 This year, in addition to these meetings, Listing Committee members also attended monthly Listing Liaison Forum meetings (Messrs Stephen Taylor, Stephen Brown, John Ho and Charles Li) and several sub-committee meetings on particular policy matters (open to all Committee members on a voluntary basis).
- 2 Four sub-committees were formed in 2016 on the following subject areas: (1) pre-IPO investments; (2) corporate governance; (3) capital raisings; and (4) backdoor listing. Please refer to paragraphs 13, 31, 43 and 38 for the number of meetings those sub-committees have held.
- 3 The Joint Consultation, published in June 2016, proposed that the HKEX Chief Executive cease to be a member of the Listing Committee and instead become a member of the Listing Policy Committee.¹³ In light of these proposals, Mr. Charles Li chose to significantly reduce his attendance at regular Listing Committee meetings and limit his attendance to only those Listing Committee meetings with significant policy implications, pending the conclusion of the Joint Consultation.
- 4 For policy meetings and regular meetings at which policy matters were discussed, attendance includes participation by telephone.
- 5 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.
- 6 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.
- 7 Members were appointed on 8 July 2016.
- 8 Members retired on 8 July 2016.

13 See paragraphs 9 and 54 of the Joint Consultation.



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