

Contents

Foreword

Main Topics Arising in The Year

Consultations

	Concept Paper on Modernising Hong Kong's IPO Settlement Process	6
	Consultation Paper and Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display	7
	Consultation Paper and Conclusions on Corporate WVR Beneficiaries	8
	Consultation Paper on the Main Board Profit Requirement	9
	Consultation Paper on Review of Listing Rules relating to Disciplinary Powers and Sanctions	10
	Consultation Conclusions on Review of Chapter 37 – Debt Issues to Professional Investors Only	11
	Consultation Conclusions on Codification of General Waivers and Principles relating to IPO and Listed Issuers and Minor Rule Amendments	12
Pro	ospectus and Listing Process	
	Guidance for Biotech Companies	13
	Guidance on Corporate Governance and Environmental, Social and Governance Disclosures in Prospectuses	13
	Fourth of Ongoing Guidance Streamlining Series	13
	New or Updated Guidance Materials as a result of the Rule	14
	Changes set out in the General Waivers Conclusions E-Forms	14
		14
	Other Guidance Materials	15
Sta	akeholder Engagement	
	E-learning	15
	Educational Materials on CG and ESG	15
	Reviews of Listed Issuers' Annual Disclosure	16
	Stakeholder Communications	18

2

Ongoing Obligations and Other Related Matters

	Arrangements relating to the COVID-19 Pandemic	18
	Update of Guidance on Sufficiency of Operations	20
	Long Suspended Companies and New Delisting Framework	20
	Reviews of Listing Committee Decisions	21
Re	gular Business	
	Listing Applications	22
	Cancellation of Listing	23
	Other Matters	24
Se	rvice Standards	
	Listing Applications	25
	Monitoring and Guidance Actions	26
Dis	sciplinary Matters	27
Re	view Meetings	31
Po	licy Agenda for 2021 and Beyond	33
Ap	pendices:	
1	Composition, Role and Operations of Listing Committee	

Members as at 31 December 2020

Composition of Listing Committee

Role of Listing Committee

Operations of Listing Committee

2 Policy Development

3 Meeting Statistics

4 Attendance at Meetings

Foreword

Purpose of this Report

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 2020. It highlights the matters the Listing Committee (the **Committee**) has dealt with during the year which it believes will be of greatest interest to the investing public, practitioners and issuers, and outlines the position or action the Listing Committee, the Listing Division (the **Division**) and the Exchange have taken. It also includes a policy agenda of matters that the Listing Committee plans to consider in 2021 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 by the Committee for submission to meetings of those boards held on 24 February 2021. It will be forwarded to the Financial Services and the Treasury Bureau, the Securities and Futures Commission (**SFC**) and posted on the HKEX website.

The Committee's Workload

In 2020, the Listing Committee considered 151 listing applications (a 23% decrease on last year) in addition to hearing 27 review and 24 disciplinary cases. Sub-committee meetings were held to discuss matters relating to the listing regime for overseas issuers, the optimisation of the IPO price discovery process, review of disciplinary powers, review of Chapter 37 regime, share schemes and corporate governance (**CG**)/environmental, social and governance (**ESG**) matters. The Exchange published four new Guidance Letters, six new Listing Decisions, four consultation papers and five consultation conclusions in the year.

The Growing New Economy Landscape

In 2018, we launched three new chapters of the Main Board Listing Rules to (a) permit listings of biotech issuers that do not meet any of the Main Board financial eligibility tests; (b) permit listings of companies with weighted voting right (**WVR**) structures; and (c) enable large issuers to secondary list in Hong Kong if they can meet our stringent eligibility and suitability requirements. Our introduction of these new chapters reformed Hong Kong's capital market, turning it into a new economy fundraising centre.

In 2020, we continued to see an increase in the number of these listings. In particular, we saw a significant increase in the number of US listed Greater China "homecoming" issuers secondary listed under Chapter 19C in 2020: nine compared with only one in 2019. These issuers raised total funds of HK\$131.33 billion from their Hong Kong initial public offerings (**IPOs**) in 2020. As at the end of the year, new economy listings accounted for 22% of total market capitalisation and, as a whole, such listings now account for an average daily turnover of HK\$17,777 million, representing 17% of market turnover.

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 committee.

² The following are "Qualifying Exchanges": The New York Stock Exchange LLC, Nasdaq Stock Market and the Main Market of the London Stock Exchange plc (and belonging to the UK Financial Conduct Authority's "Premium Listing" segment).

On 30 October 2020, we concluded a consultation seeking public feedback on a proposal to expand the existing WVR regime to allow certain corporate entities to benefit from WVR (**Corporate WVR**). As a way forward, the Exchange decided to allow "homecoming" issuers to list with Corporate WVR structures on condition that they had already listed on a Qualifying Exchange² on or before 30 October 2020. These issuers must also meet certain ownership requirements (see paragraph 13 below) and the existing high entry requirements of Chapter 19C. Although these grandfathered issuers would be exempted from full ongoing compliance requirements, this is only for as long as the majority of trading in their securities remains overseas.

"Technology Empowered"

One of the aims of HKEX's 2019-2021 strategic plan is to leverage technology to modernise its core business. We took several steps to achieving this goal in 2020. Listing shares in Hong Kong currently entails a lengthy waiting time between the moment of pricing and the start of formal on-market trading: a process known as "T+5" IPO settlement. This is not commensurate with our position as one of the world's most popular and robust markets for IPOs.

On 16 November 2020, HKEX published a <u>Concept Paper</u> to seek market feedback on its proposal to comprehensively modernise and digitalise Hong Kong's IPO settlement process. Under the proposal, HKEX will introduce a new web-based service called FINI (Fast Interface for New Issuance) that enables IPO market participants, advisers and regulators to interact digitally and seamlessly, shortening the IPO settlement process by 80% to a new "T+1" regime. The roll-out of FINI is expected to occur in 2022.

Another "technology empowered" 2020 initiative was <u>concluded</u>, in December, with our decision to implement completely paperless IPOs³. From 5 July 2021, all listing documents in a new listing must be published solely in an electronic format and new listing subscriptions, where applicable, must be made through electronic channels only. Also, documents that are currently displayed physically alongside certain transactions (such as an IPO, notifiable transactions and connected transactions) will be replaced, from 4 October 2021, by a requirement for those documents to be published, instead, online.

These changes will significantly reduce the amount of paper used for listing related purposes, lower costs for issuers and will also help ensure that all investors, particularly those based in the Mainland and overseas, have equal access to the documentation they need to make informed investment decisions.

In October 2020, we also introduced listing e-Forms for issuers' and IPO applicants' submission of routine information to the Exchange. This serves to standardise the presentation of routine information in order to reduce processing time; reduce the risk of manual input error through the use of data validation within e-Form fields; and assist the Exchange in collecting and analysing data more efficiently.

Since 2018, we have been exploring the use of artificial intelligence (**AI**) to review annual reports, and in 2020 it became a permanent feature of our regulatory toolkit. The power of AI has boosted the breadth and accuracy of our annual report assessments, so that we can focus our manpower on tasks that require more human insight. Going forward, we will continue to use AI in targeted ways to improve the efficiency of our vetting and monitoring processes.

The need for technology to be used more effectively to support listings became ever more apparent during the 2020 outbreak of COVID-19.

3 With the exception of applicants adopting Mixed Media Offers for their IPOs.

Our COVID-19 Response

The 2020 outbreak of COVID-19 posed challenges for listed issuers on a number of fronts.

In February, we issued a joint statement with the SFC (and <u>FAQs</u>) to allow trading to continue in the shares of approximately 1,800 issuers if those issuers were unable to obtain the agreement of their auditors on their preliminary results but were otherwise in full compliance with Listing Rule reporting requirements.

This was in response to concerns from issuers, and the accounting profession, that COVID-19 related travel and other restrictions may disrupt reporting or audit processes. We published a <u>second joint statement</u> in March to allow issuers to defer the publication of annual reports for an initial period of up to 60 days from the date of the statement for similar reasons.

As issuers' general meetings became affected by restrictions on public gatherings, the Exchange and the SFC also issued a joint statement in April to provide guidance on the timing and arrangements for these meetings. In light of the COVID-19 safety concerns and the public policy measures taken to combat the pandemic, the statement also suggested issuers to consider whether it was possible to adjourn or delay their general meetings and, if a meeting was held, the statement provided guidance on the management of proceedings to ensure the safety of attendees.

Later in the year, in May and June, we implemented a mechanism, <u>announced</u> by the HKSAR Government, to facilitate directors and/or executives of listed issuers or listing applicants travelling from the Mainland to Hong Kong for the purposes of attending essential meetings or other business activities in Hong Kong or the PRC. The mechanism exempted these persons from the quarantine arrangements in Hong Kong that would otherwise apply to travellers from the Mainland, subject to them complying with certain precautionary measures. We processed 723 applications for this exemption in 2020.

We quickly launched a <u>webpage</u> dedicated to our COVID-19 response containing all the publications referred to above. The aim of the webpage is to facilitate issuers' and market practitioners' understanding of the measures we have adopted.

We also provided guidance on issuers' disclosures and business updates in the COVID-19 environment and how we considered the impact of COVID-19 in applying the continuing listing criteria under Rule 13.24 and handling long-suspended companies, through two newsletters issued in April and December last year.

Our Continued Commitment To Improving CG and ESG Standards

In July we published an updated <u>Guidance Letter</u> to highlight the importance to an IPO applicant's board of ensuring that necessary CG and ESG mechanisms are built into listing processes.

Our latest <u>review of corporate governance practices</u>, published in December, amongst other matters, reminded issuers to: (a) address whether long-serving INEDs remain capable of bringing fresh perspectives and independent judgment to the board; (b) justify how the board is satisfied that an independent non-executive director (**INED**) holding their seventh (or more) directorship (an **Overboarding INED**) can devote sufficient time to the issuer's affairs; and (c) set and disclose measurable objectives on board diversity.

Also in December, the Exchange published <u>Practitioners' Insights</u>. This presented a collection of experiences shared by market practitioners to help directors of IPO applicants and newly listed companies think holistically about building and integrating CG and ESG considerations into their business strategy to achieve long-term value for their organisations.

The improvement of CG and ESG standards remains a key focus area of the Exchange, as we seek to further enhance the quality of our market. We are currently conducting a review of our corporate governance framework and expect to put forward proposals soon for public consultation.

Enhancing our own Compliance, Internal Controls and Risk Management Mechanisms

The Exchange, as a public body, has a duty to act in the public interest and is subject to regulatory requirements commensurate with that responsibility. Over the years, the demands of regulating listing matters have increased as the number of listed issuers has grown, new listing products have been launched and listing requirements have become more complex.

On 16 July 2020, HKEX announced the formation of a new Listing Compliance Department. This function helps the Committee fulfil its obligation to oversee the work of the Division and supports the Division in meeting its responsibilities, in particular in areas of compliance, internal controls and risk management.

The Division has already made valuable enhancements to the mechanisms in place to handle such matters as conflicts of interests and complaints and will look to build on these achievements.

Moving Forward

Our focus in 2021, and beyond, will continue to be twofold as we work to both develop the Hong Kong market and enhance its quality.

Market Development

We intend to launch a consultation on our review of our regime for overseas companies to facilitate these listings and so further broaden the opportunities available to investors here. We will also consult on proposals to optimise the IPO price discovery process.

Market Quality

To ensure that we continue to enhance the quality of our market we will conclude our consultation on proposals to increase the Main Board profit requirement and on our consultation on our disciplinary powers and sanctions. We also intend to launch a new consultation on share schemes.

A full list of our policy agenda for 2021 and beyond is set out on page 33.

then

Peter Brien Chairman

Main Topics Arising in the Year

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

Consultations

Concept Paper on Modernising Hong Kong's IPO Settlement Process

- 2. On 16 November 2020, HKEX published a Concept Paper to seek market feedback on its proposal to comprehensively modernise and digitalise Hong Kong's IPO settlement process. Under the proposal, HKEX will introduce a new web-based service called FINI (Fast Interface for New Issuance) that enables IPO market participants, advisers and regulators to interact digitally and seamlessly shorten the IPO settlement process by 80% from the current "T+5" regime to a new "T+1" regime.
- 3. Key improvements include:
 - End-to-end IPO settlement, in one place. FINI will provide market participants and regulatory authorities with a consistent real-time 'golden source' view of every active Hong Kong IPO in one convenient place, as each deal progresses from launch to completion.
 - Improved workflows and interactions. Dozens of separate tasks that are currently performed manually will be replaced by convenient and streamlined digital workflows on FINI. This will enable automation, operational precision and more robust risk controls throughout every IPO's settlement journey.
 - Going paperless but staying inclusive. The IPO settlement process will go digital, meaning that paper-based documents, communications and payments will be replaced by more modern digital interactions. An open architecture will provide integration options and innovative service opportunities for market practitioners, while allowing intermediaries to continue catering to those investors who prefer an offline interaction.
 - Liquidity relief. FINI includes important alterations to the pre-funding mechanism for the Hong Kong public offer, whereby funds supporting IPO subscriptions will be validated at each broker's designated bank, with only the actual share allotment value of each broker collected by the issuer after balloting. This intends to alleviate the distortive impact that over-subscribed IPOs are known to have on Hong Kong dollar capital flows and interbank money markets.

- 4. The following strengths of the existing regime will be preserved:
 - Unchanged roles and responsibilities, with continuity for market
 - participants. End-investors and issuers will not need to use FINI directly. Instead, the platform is intended to be used by professional market intermediaries (brokers, share registrars, IPO sponsors, lawyers, underwriters and distributors) whose roles, responsibilities and relationships will not fundamentally change with the introduction of FINI.
 - No changes to the legal framework and listing regime. FINI is designed to be compatible with the legal framework governing Hong Kong's securities market, and no material changes are contemplated to Hong Kong's listing regime or to existing regulations governing the IPO subscription, allotment and approval process. While some changes to the Listing Rules are expected, the FINI proposal is otherwise independent of any other regulatory reforms to the Hong Kong listing regime.
 - Integrated with securities market infrastructure. FINI will serve as the entry point for newly issued shares to enter into CCASS, while maintaining the continuity of the latter's Central Securities Depository function, as well as the rights and obligations of its participants. HKSCC Participants will be able to use their HKEX Client Connect credentials to access and use FINI via the internet.
- 5. The <u>concept paper</u> is available on the HKEX website. The period for market feedback on the paper ended on 15 January 2021 and HKEX is considering the responses received. The roll-out of FINI is expected to occur no earlier than the second half of 2022. This timeline will depend on the level of market support for the proposed reform; feedback on specific elements of FINI; smooth platform development and testing progress; the implementation of certain regulatory changes; and market readiness and user on-boarding.

Consultation Paper and Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display

- On 24 July 2020, the Exchange published a consultation paper seeking public feedback on proposals to introduce a paperless listing and subscription regime, the display of documents online and a reduction of the types of documents that need to be put on display (**Paperless Consultation Paper**). The consultation period closed on 24 September 2020.
- 7. The proposals included:
 - (a) requiring (i) all listing documents in a new listing to be published solely in an electronic format; and (ii) new listing subscriptions, where applicable, to be made through online electronic channels only (Paperless Listing and Subscription Regime Proposal);
 - (b) replacing the requirement for certain documents to be physically displayed with a requirement for those documents to be published online (save for issuers conducting a mixed media offer); and
 - (c) with respect to notifiable transactions and connected transactions, reducing the types of documents that are mandatory for an issuer to display (together with (b) above the **Documents on Display Proposals**).

- 8. The Exchange received 146 non-duplicate responses from a broad range of respondents. In light of the responses received and based on the reasons set out in the consultation paper and provided by respondents, we adopted all the proposals outlined in the consultation paper with minor modifications as set out in consultation conclusions published on 18 December 2020.
- 9. The relevant Rule amendments will become effective on the following dates:
 - (a) Monday, 5 July 2021 for the Listing Rule amendments relating to the Paperless Listing and Subscription Regime Proposal; and
 - (b) Monday, 4 October 2021 for the Listing Rule amendments relating to the Documents on Display Proposals.
- 10. The <u>consultation paper</u>, <u>consultation conclusions</u> and copies of <u>respondents' submissions</u> are available on the HKEX website.

Consultation Paper and Conclusions on Corporate WVR Beneficiaries

- 11. On 31 January 2020, the Exchange published a Consultation Paper on Corporate WVR Beneficiaries to seek public feedback on a proposal to expand the existing WVR regime under Chapter 8A of the Main Board Listing Rules to allow corporate entities to benefit from WVR. The consultation period closed on 31 May 2020⁴.
- 12. A total of 65 responses were received from a broad range of stakeholders. There were very diverse views and expectations as to how the proposed regime would operate in practice and whether (and if so what) modifications were required for it to operate as intended.
- 13. The Exchange published consultation conclusions on 30 October 2020. As a way forward, the Exchange decided to treat Greater China Issuers⁵ that are (a) controlled by Corporate WVR beneficiaries⁶ (as at 30 October 2020); and (b) primary listed on a Qualifying Exchange⁷ (on or before 30 October 2020) (Qualifying Corporate WVR Issuers) in the same manner as Grandfathered Greater China Issuers⁸ and allow them to list under Chapter 19C of the Main Board Listing Rules with their existing corporate WVR structures.

- 5 An issuer with its centre of gravity in Greater China as defined by Chapter 19C of the Main Board Listing Rules.
- 6 "Controlled by corporate WVR beneficiaries" means that a single corporate WVR beneficiary (or a group of corporate beneficiaries acting in concert) holds the largest share of the voting power in the listed issuer, which must amount to at least 30% of shareholders' votes carried by the issuer's share capital, as at 30 October 2020.
- 7 The following are "Qualifying Exchanges": The New York Stock Exchange LLC, Nasdaq Stock Market and the Main Market of the London Stock Exchange plc (and belonging to the UK Financial Conduct Authority's "Premium Listing" segment).
- 8 The existing grandfathering arrangement allows Grandfathered Greater China Issuers (Greater China Issuers that primary listed on a Qualifying Exchange on or before 15 December 2017) that meet the eligibility and suitability requirements under Chapter 19C of the Main Board Listing Rules to secondary list in Hong Kong without having to amend their existing WVR structures (including Corporate WVR structures) to meet the Exchange's own requirements.

⁴ After an extension to give more time to all those who wanted to respond to the consultation to do so following the significant changes to working arrangements that occurred due to the outbreak of COVID-19.

- 14. Strong existing investor protection safeguards continue to apply to Qualifying Corporate WVR Issuers seeking to secondary list in Hong Kong. These issuers must:
 - (a) meet a very high minimum market capitalisation threshold of at least \$40 billion, or at least \$10 billion with at least \$1 billion of revenue for its most recent audited financial year⁹;
 - (b) be an "innovative company" as part of the demonstration of their suitability for listing¹⁰; and
 - (c) demonstrate that the domestic laws, rules and regulations to which they are subject and their constitutional documents, in combination, provide certain shareholder protection standards (including that it will hold an annual general meeting each year and provide members holding 10% of the voting rights or more, on a one vote per share basis, with the right to convene an extraordinary general meeting)¹¹.
- 15. Like other secondary issuers listed under Chapter 19C of the Main Board Listing Rules, Qualifying Corporate WVR Issuers would be exempt from certain Rules (e.g. notifiable transaction and connected transaction Rules)¹². However, if a majority of trading in their shares migrates to the Exchange's markets on a permanent basis, these exemptions would fall away. The Exchange would then treat the issuer as having a dual-primary listing and it would be required to comply with the Listing Rules that apply to such issuers after a grace period of one year¹³. The Exchange would allow these issuers to retain their existing Corporate WVR structures at that time, as already permitted for all Grandfathered Greater China Issuers¹⁴.
- 16. The <u>consultation paper</u>, <u>consultation conclusions</u> and copies of <u>respondents' submissions</u> are available on the HKEX website.

Consultation Paper on the Main Board Profit Requirement

- 17. The minimum profit requirement under Main Board Listing Rule 8.05(1)(a) (**Profit Requirement**) has not been changed since its introduction in 1994. Since the minimum market capitalisation requirement under Main Board Listing Rule 8.09(2) (**Market Capitalisation Requirement**) was increased from \$200 million to \$500 million in 2018, the Exchange has seen an increase in listing applications from issuers that marginally met the Profit Requirement, but had relatively high proposed market capitalisations. The Exchange believes this misalignment of the Profit Requirement, with the increased Market Capitalisation Requirement, has raised regulatory concerns as to the quality of companies seeking Main Board listings.
- 18. On 27 November 2020, the Exchange published a consultation paper to seek public views on a proposal to increase the Profit Requirement by either 150 per cent, based on the percentage increase in the Market Capitalisation Requirement in 2018 (Option 1)¹⁵; or by 200 per cent, based on the approximate percentage increase in the average closing price of the Hang Seng Index from 1994 to 2019 (Option 2)¹⁶.
- 9 Main Board Listing Rule 19C.05. The expected market capitalisation threshold for an issuer without a WVR structure listing under the profit test of Main Board Listing Rule 8.05(1) (the most common listing route) is only \$500 million.
- 10 Section 3 of Guidance Letter HKEX-GL94-18 (April 2018).
- 11 Main Board Listing Rules 19C.06 to 19C.10.
- 12 Main Board Listing Rule 19C.11.
- 13 Main Board Listing Rule 19C.13.
- 14 Main Board Listing Rule 19C.12.
- 15 The minimum profit attributable to shareholders will be increased, from \$20 million to \$50 million in respect of the most recent financial year of the trading record period, and from \$30 million to \$75 million in respect of the two preceding financial years.
- 16 The minimum profit attributable to shareholders will be increased, from \$20 million to \$60 million in respect of the most recent financial year of the trading record period, and from \$30 million to \$90 million in respect of the two preceding financial years.

- 19. Recognising the impact that such proposal might have on companies that have already commenced their listing preparations, the Exchange also proposed introducing transitional arrangements if the proposal is adopted. The Exchange will also introduce temporary conditional relief from the increased Profit Requirement to facilitate the listing of quality companies whose financial results have been temporarily and adversely affected by the COVID-19 pandemic and the economic downturn (each application will be considered on a case by case basis).
- 20. The <u>consultation paper</u> is available on the HKEX website. The consultation period ended on 1 February 2021. The Exchange is considering the responses received and will publish its conclusions in due course.

Consultation Paper on Review of Listing Rules relating to Disciplinary Powers and Sanctions

- 21. The Exchange's disciplinary regime under our Rules has been in place for some time without major change. On 7 August 2020, the Exchange published a Consultation Paper on Review of Listing Rules relating to Disciplinary Powers and Sanctions. The consultation paper took a holistic view of our regime, with the focus on ensuring that it remains fit for purpose, promotes market quality and aligns with stakeholder expectations and international best practice.
- 22. The consultation sought market views on a number of proposals and enhancements, with a particular emphasis on strengthening the Exchange's powers to hold accountable, and impose appropriate sanctions on, individuals responsible for misconduct and breaches of the Listing Rules. The key proposals included:
 - Lowering existing thresholds for public statements regarding individuals;
 - Enhancing follow-on actions in relation to public statements regarding individuals;
 - Removing existing thresholds for denying the facilities of the market to listed issuers;
 - Introducing director unsuitability statements against individuals;
 - Enhancing disclosure requirements for directors and senior management members subject to public sanctions;
 - Introducing secondary liability for Rule breaches; and
 - Expanding the disciplinary regime to new parties such as guarantors of structured products and parties who enter into an agreement or undertaking with the Exchange.
- 23. The consultation period closed on 9 October 2020. The <u>consultation paper</u> is available on the HKEX website. The Exchange is considering the responses received and will publish its conclusions in due course.

Consultation Conclusions on Review of Chapter 37 – Debt Issues to Professional Investors Only

- 24. On 6 December 2019, the Exchange published a Consultation Paper on Review of Chapter 37 – Debt Issues to Professional Investors Only to balance the need to safeguard investors whilst maintaining an effective and appropriate listing platform for the continued development of the bond market in Hong Kong. The consultation closed on 7 February 2020.
- 25. A total of 22 responses were received from a broad range of respondents. The feedback we received indicated strong support for the consultation proposals to enhance the listing regime for debt issues to professional investors only (**Professional Debt Regime**). The Exchange amended some of the proposals to reflect comments received, and published the Consultation Conclusions on Review of Chapter 37 Debt Issues to Professional Investors Only on 21 August 2020. The Rule amendments became effective on 1 November 2020.
- 26. The major Rule amendments included:
 - Raising the existing issuer's minimum net assets requirement from \$100 million to \$1 billion;
 - Introducing a minimum issuance size of \$100 million;
 - Requiring issuers to state explicitly in the listing document that the intended investor market in Hong Kong is professional investors only;
 - Requiring publication of listing documents on the Exchange's website on the listing date; and
 - Introducing other Rules amendments to enhance the regulatory oversight over issuers and guarantors in terms of their continuing obligations.
- 27. The <u>consultation paper</u>, <u>consultation conclusions</u> and copies of <u>respondents' submissions</u> are available on the HKEX website.
- 28. The Exchange also published "<u>Guidance on Disclosure in Listing Documents and Continuing</u> <u>Obligations under Chapter 37 – Debt Issues to Professional Investors Only</u>" to provide guidance on disclosures and remind issuers of their continuing obligations under the Professional Debt Regime.

Consultation Conclusions on Codification of General Waivers and Principles relating to IPO and Listed Issuers and Minor Rule Amendments (General Waivers Conclusions)

- 29. On 2 August 2019, the Exchange published a Consultation Paper on Codification of General Waivers and Principles relating to IPO and Listed Issuers and Minor Rule Amendments to (a) improve clarity of the Listing Rules; (b) ensure the Listing Rules reflect currently acceptable standards in the market place; and (c) codify a number of administrative provisions that are currently provided in its guidance letters or listing decisions. The consultation period closed on 27 September 2019.
- 30. A total of 351 responses were received from a broad range of respondents. After taking into the account the views of respondents, the Exchange amended the proposals to reflect comments received and published the General Waivers Conclusions on 28 August 2020. The Rule amendments became effective on 1 October 2020.
- 31. The major Rule amendments included:
 - (a) Codification of a number of waivers with general effect previously approved by the SFC relating to (i) publication and distribution of annual results and reports; (ii) shareholder approval requirement for bonus or capitalisation issues by PRC incorporated issuers; (iii) calculation of the consideration ratio for PRC incorporated issuers dually listed on the Exchange and a PRC exchange; and (iv) inclusion of stock code in documents.
 - (b) Codification of general principles underpinning a number of waivers which have been granted to new applicants and/or listed issuers relating to financial disclosure matters, acquisition of aircraft by airline operators, incentive schemes, and working capital statement in listing documents and transaction circulars of Main Board issuers that are banking companies or insurance companies.
 - (c) Minor amendments to the Listing Rules for the purpose of providing greater clarity to the Listing Rules and to codify certain administrative guidance that is currently provided in guidance letters or listing decisions.
- 32. The <u>consultation paper</u>, <u>consultation conclusions</u> and copies of <u>respondents' submissions</u> are available on the HKEX website.

Prospectus and Listing Process

Guidance for Biotech Companies

- 33. At the April 2020 policy meeting, the Committee endorsed the Division's proposal to publish (a) a new Guidance Letter on disclosure in listing documents for Biotech Companies, providing comprehensive guidance on enhanced disclosures Biotech Companies should consider in their listing document; (b) two updated Guidance Letters regarding the suitability for listing of Biotech Companies and placing to connected clients, and existing shareholders or their close associates, under the Listing Rules and (c) the relevant updated FAQs.
- 34. The new Guidance Letter (<u>HKEX-GL107-20</u>) the updated Guidance Letters (<u>HKEX-GL92-18</u> and <u>HKEX-GL85-16</u>) and <u>FAQs¹⁷</u>, were published on the HKEX website on 29 April 2020.
- 35. In late 2020 and early 2021, the Exchange held meetings with market practitioners that are the most active in Biotech Company listing applications to discuss the disclosures made in the listing documents of Biotech Companies. This was followed by the publication, on 10 February 2021, of amendments to Guidance Letter HKEX-GL107-20 on this subject.

Guidance on Corporate Governance (CG) and Environmental, Social and Governance (ESG) Disclosures in Prospectuses

36. At the June 2020 policy meeting, the Committee endorsed the Division's proposal to publish an updated Guidance Letter to highlight the importance to an IPO applicant's board of ensuring that the necessary CG and ESG mechanisms are built into listing processes. It also required additional disclosures in prospectuses by IPO applicants on: (a) compliance culture of the IPO applicant; and (b) appointment of an Overboarding INED. The Committee endorsed the Division's proposal, and the updated Guidance Letter (<u>HKEX-GL86-16</u>) was published on the HKEX website on 24 July 2020.

Fourth of Ongoing Guidance Streamlining Series

- 37. In 2020, the Exchange continued its exercise to streamline guidance materials published on the HKEX website. The fourth series of this streamlining exercise was approved by the Committee at its November 2019 policy meeting and accompanied by a <u>news release</u> published on 28 February 2020. This resulted in the following changes:
 - (a) Three Guidance Letters were updated <u>HKEXGL89-16</u> (Guidance on issues related to "controlling shareholder" and related Listing Rules implications); <u>HKEX-GL52-13</u> (Guidance for mineral companies); and <u>HKEX-GL36-12</u> (Guidance on due diligence to be conducted by the sponsor and disclosure in the listing document relating to a distributorship business model).
 - (b) Eight sets of FAQs were updated FAQ Series <u>1</u>, <u>5</u>, <u>8</u>, <u>20</u>, <u>24</u>, <u>26</u>, <u>31</u>; and FAQ <u>No.008-2017 to 022-2017</u> and 023-2018 (of which 008-2017, 013-2017 and 016-2017 were updated and 017-2017, 022-2017 and 023-2018 were withdrawn).
 - (c) 15 Guidance materials were withdrawn Eight guidance materials have been consolidated into the revised GL52-13 as mentioned above; four outdated Listing Decisions (LD106-1, LD46-3, LD21-2 and LD12-3) and three Interpretative Letters (RL4-05, RL6-05 and RL22-07) were withdrawn.
- 38. The Exchange will continue to review and streamline its guidance materials as necessary going forward.

¹⁷ Frequently Asked Questions on the Listing Regime for Companies from Emerging and Innovative Sectors.

New or Updated Guidance Materials as a result of the Rule Changes set out in the General Waivers Conclusions

- 39. On 28 August 2020, the Exchange published a Guidance Letter (<u>HKEX-GL108-20</u>) to provide clarifications and guidance on the policy rationale of Main Board Listing Rule 3.28 (GEM Listing Rule 5.14), and factors the Exchange considers when granting a waiver to this Rule, and the related conditions.
- 40. On 30 September 2020, the Exchange further updated its guidance materials as a result of the Rule changes as set out in the General Waivers Conclusions. This resulted in the following changes:
 - (a) One updated Guidance Letter <u>GL56-13</u> (Guidance on (i) disclosure requirements for substantially complete Application Proofs; and (ii) publication of Application Proofs and Post Hearing Information Packs on the Exchange's website).
 - (b) Three updated FAQs FAQ Series 1 No. 49, Series 2 No. 3 and 069-2019.
 - (c) Two updated Listing Decisions <u>LD25-2012</u> and <u>LD9-2011</u>.
 - (d) 16 withdrawn guidance materials comprising seven withdrawn Guidance Letters (GL7-09, GL10-09, GL16-09, GL31-12, GL32-12, GL58-13, GL60-13) and nine withdrawn Listing Decisions (LD99-5, LD83-1, LD18-2011, LD35-1, LD47-2013, LD81-2014, LD15-3, LD50-2, LD94-1, LD38-2012).

E-Forms

- 41. In its Paperless Consultation Paper (see paragraphs 6 to 10), the Exchange stated its plans to introduce e-Forms with the following aims:
 - (a) To standardise the presentation of routine information and allow for easier comparison by investors between issuers;
 - (b) To reduce the risk of manual input error through the use of data validation in e-Form fields;
 - (c) To reduce the preparation time in announcements containing routine information; and
 - (d) To assist the Exchange in collecting and analysing data more efficiently.
- 42. On 30 October 2020, the Exchange published a Listing e-Forms <u>webpage</u>. This page provides templates of the e-Forms that should be used and sets out the timetable for their launch. The webpage encourages users to familiarise themselves with the e-Forms and the Form Filling Guide that has been provided for each of them.
- 43. The Exchange provided a transitional period between 29 November 2020 and 31 December 2020 during which users were encouraged to submit the new Listing e-Forms through the Exchange's e-Submission System (**ESS**) but the Listing Division continued to process existing forms submitted by other means.
- 44. From 1 January 2021, users have been required to submit the Listing e-Forms through ESS only.

Other Guidance Materials

45. During the year, the Exchange also updated Guidance Letters: <u>HKEX-GL86-16</u> (Guide on Producing Simplified listing documents relating to equity securities for new applications); <u>HKEX-GL51-13</u> (Cornerstone Investment – No Direct or Indirect Benefits to Cornerstone Investors other than Guaranteed Allocation at IPO price); and <u>HKEX-GL53-13</u> (Liquidity arrangements for issuers seeking to list by introduction where the securities to be listed are already listed on another stock exchange).

Stakeholder Engagement

E-learning

- 46. In July 2020, the Exchange launched a new e-learning series on the ongoing compliance requirements under the Listing Rules, offering listed issuers, their directors and management, market practitioners and compliance professionals a new and interactive way to refresh knowledge on different aspects of the continuing obligations.
- 47. On 17 July 2020, 12 October 2020 and 13 January 2021, the Exchange launched three modules of e-learning courses covering <u>connected transaction Rules</u>, <u>notifiable transaction</u> <u>Rules</u> and <u>equity fundraising Rules</u> respectively. The Exchange will release more courses on other topics in 2021.

Educational Materials on CG and ESG

- 48. As part of the Exchange's continued commitment to support and educate the market on CG and ESG, in particular, the new ESG reporting requirements that came into effect for financial years commencing on or after 1 July 2020 (the **New ESG Requirements**), the Exchange published the following guidance materials in 2020:
 - (a) On 28 February 2020, the Exchange updated the <u>FAQs Series 18</u> on ESG reporting to reflect the New ESG Requirements.
 - (b) On 6 March 2020, the Exchange:
 - Launched a new e-training course, titled <u>Exchange's New ESG Requirements</u>, covering the following six topics: (1) Exchange's new ESG requirements, (2) board governance, (3) reporting principles and boundary, (4) setting targets, (5) climate change and (6) social KPIs;
 - Published a new guide for board and directors, titled <u>Leadership role and</u> <u>accountability in ESG</u>, which is tailored for directors in understanding and carrying out their roles in ESG reporting under the New ESG Requirements; and
 - Updated its step-by-step reporting guidance, titled <u>How to prepare an ESG report</u>, and related appendices to reflect the New ESG Requirements.
 - (c) On 11 December 2020, the Exchange published <u>Practitioners' Insights</u> on the HKEX website presenting a collection of experiences shared by market practitioners. This aims to help directors of IPO applicants and newly listed companies think holistically about building and integrating CG and ESG considerations into their business strategy to achieve long-term value for their organisations.

Reviews of Listed Issuers' Annual Disclosure

- 49. The Division undertook two on-going review programmes of listed issuers' annual disclosure in 2020, namely:
 - (a) our Review of Issuers' Annual Report Disclosures; and
 - (b) our Implementation Review of CG Code¹⁸.
- 50. The Division's findings and recommendations of the Implementation Review of Corporate Governance Code in 2019 Annual Reports were presented in the <u>Analysis of 2019 Corporate</u> <u>Governance Practice Disclosure</u> published on the HKEX website on 11 December 2020. The Division's findings and recommendations from the Review of Issuers' Annual Report Disclosure were presented in the <u>Review of Issuers' Annual Report Disclosure – Report 2020</u> published on the HKEX website on 29 January 2021.

Review of Issuers' Annual Report Disclosure

- 51. The Division reviews listed issuers' annual reports as part of its ongoing monitoring activities. It undertakes an on-going review programme comprising two parts with different focuses:
 - (a) Examine issuers' annual reports with a focus on Rule compliance, issuers' corporate conduct and their disclosure of material events and developments; and
 - (b) Review issuers' financial statements with a view to encouraging high standards of financial disclosure. This review is focused on compliance with applicable accounting standards.
- 52. For the purpose of the review, the Division considers the findings and observations in its previous reports and the latest market trends and developments of issuers, and selects specific areas for assessing issuers' disclosure and providing guidance and recommendations.
- 53. In 2020, the Division reviewed annual reports with a financial year ended in 2019. We were generally satisfied with the findings. We encourage issuers to follow our recommendations, especially those in respect of: disclosure of the impact of the COVID-19 pandemic in issuers' business review and management discussion and analysis section; financial statements with auditors' modified opinion; continuing connected transactions; disclosure on share option and award schemes; material intangible assets and material level 3 financial assets.
- 54. This year, the Division applied artificial intelligence technology to review issuers' annual reports and their compliance with the Listing Rules governing annual report disclosure. This enhanced the breadth and reach of our existing annual report review, helping us identify whether issuers have disclosed information required under the Listing Rules in their annual reports. We recommend that issuers note our observations when preparing their next annual reports.

¹⁸ Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Main Board Listing Rules and Appendix 15 of the GEM Listing Rules.

Implementation Review of CG Code

- 55. The Division has conducted a periodic analysis of listed issuers' CG disclosure in annual reports since 2007. In the latest review (the **CG Implementation Review**), the Division analysed corporate governance reports for the financial year ended 31 December 2019 of a sample of 400 issuers (**Sample Issuers**), and studied disclosures on re-election of an INED who has served more than nine years (a **Long-serving INED**)¹⁹ or election of an Overboarding INED²⁰.
- 56. Key findings and recommendations of the CG Implementation Review included:
 - There was an improvement in issuers' compliance with the CG Code. All Sample Issuers have complied with at least 73 out of 78 Code Provisions (**CPs**). Explanations were given on substantially all occasions where there was deviation from a CP.
 - Issuers' attention was drawn to the CP requiring disclosure of dividend policy recently introduced in January 2019, which was overlooked by individual issuers.
 - Re-election of a Long-serving INED Issuers were reminded that satisfaction of the independence criteria set out in the Listing Rules²¹ by itself did not address whether the Long-serving INED remains capable of bringing fresh perspectives and independent judgment to the board.
 - Election of an Overboarding INED Most issuers justified the election of an Overboarding INED by listing factors considered by the board, some of which were not necessarily relevant to a director's time availability. Issuers should disclose how the board could be satisfied that the director can devote sufficient time to the issuer's affairs.
 - Board diversity, nomination of and selection criteria for directors Almost all Sample Issuers disclosed their policy on board diversity. Issuers were encouraged to set and disclose measurable objectives on board diversity as they demonstrate the board's commitment and enable tracking of the issuer's progress in this area.

¹⁹ Pursuant to CP A.4.3, an issuer is required to explain why the board believes that an INED whom has served more than 9 years is still independent and should be re-elected.

²⁰ Pursuant to the revised CP A.5.5 which came into effect on 1 January 2019, an issuer is required to explain why the board believes a proposed Overboarding INED would still be able to devote sufficient time to the board.

²¹ Main Board Listing Rule 3.13 and GEM Listing Rule 5.09.

Stakeholder Communications

- 57. To enhance transparency and keep the market informed of Exchange activities that, we believe, are of greatest interest and relevance to market stakeholders, we continue to publish newsletters and bulletins on a regular basis. We also intend to explore other ways in which we can communicate the Committee's aims and actions to the market.
- 58. In July 2020, we published the first bi-annual <u>Listing Newsletter</u>. This featured an interview with the outgoing Chairman of the Listing Committee, Mr. Andrew Weir of KPMG, on the challenges the Committee faced and the legacy of the decisions it made during his tenure. We publish our Listing Newsletter every six months, with the latest edition published in <u>January 2021</u> on the theme of leveraging technology to enhance listing regulation for the benefit of the market as a whole.
- 59. We published Listed Issuer Regulation Bulletins in both <u>April</u> and <u>December</u> of 2020. These provide news, insights and observations to help listed issuers maintain compliance with our Listing Rules and on best practice. The April 2020 edition was dedicated to COVID-19 and provided observations on the disclosures to make and actions to take in response to the pandemic. The December edition provided insights on the disclosure of counterparties in transactions and an update on the implementation of our Rule changes on backdoor listings and continuing listing criteria.
- 60. We also published the first Enforcement Bulletin in <u>November</u>, which replaced the Enforcement Newsletters which we had been publishing since 2017. This focused on better corporate governance and, in particular, spotlighted the onboarding of directors of listed issuers. This followed the last of the Enforcement Newsletters which we published in <u>March</u>, which focused on informing the market of our coordination with other regulatory agencies in Hong Kong on investigations to achieve the best enforcement outcomes.

Ongoing Obligations and Other Related Matters

Arrangements relating to the COVID-19 Pandemic

61. The Exchange has worked closely with the SFC to monitor and address any potential difficulties listed issuers may have had due to travel and other restrictions put in place since the beginning of the COVID-19 outbreak. This has included proactively reaching out to listed issuers and issuing a range of guidance materials.

Financial statements

- 62. In February, the Exchange and the SFC issued a joint statement (and FAQs²²) to allow trading to continue in the shares of approximately 1,800 issuers if those issuers were unable to obtain the agreement of their auditors on their preliminary results but were otherwise in full compliance with Listing Rule reporting requirements.
- 63. This was in response to concerns from issuers, and the accounting profession, that COVID-19 related travel and other restrictions may disrupt reporting or audit processes. We published a <u>second joint statement</u> in March to allow issuers to defer the publication of annual reports for an initial period of up to 60 days from the date of the statement.

²² Frequently asked questions on the Joint Statement in relation to Results Announcements in light of Travel Restrictions related to the Severe Respiratory Disease associated with a Novel Infectious Agent.

General meetings

- 64. In March 2020, the HKSAR Government introduced the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Cap. 599G of the Laws of Hong Kong) (the **Regulation**), prohibiting group gatherings in a "public place", to promote and maintain social distancing in light of the COVID-19 pandemic.
- 65. The SFC and the Exchange consulted the HKSAR Government, which administers the Regulation, to understand how these guidelines impact corporate annual general meetings, extraordinary general meetings and special general meetings.
- 66. In April 2020, the Exchange and the SFC issued a joint statement to provide guidance on the timing and arrangements for these meetings. In light of the COVID-19 safety concerns and the public policy measures taken to combat the pandemic, the statement also suggested issuers to consider whether it was possible to adjourn or delay their general meetings and, if a meeting was held, the statement provided guidance on the management of proceedings to ensure the safety of attendees.

Government quarantine exemptions for directors and executives

- 67. Many companies listed or seeking listing on the Exchange have substantial operations in the Mainland, where their directors and executives also reside. To balance the need to safeguard public health with the need to promote Hong Kong's economic development, the HKSAR Government <u>announced</u>, in May and June 2020, the adoption of a mechanism for directors and/or executives of listed issuers or listing applicants to be exempted from the compulsory quarantine arrangement in Hong Kong when they arrive in Hong Kong from the Mainland.
- 68. The Exchange put in place a mechanism to process applications for these exemptions and granted 723 exemptions under the scheme in 2020.

Other guidance

69. The Exchange provided guidance on issuers' disclosures and business updates in the COVID-19 environment and how the Exchange considers the impact of COVID-19 in applying the continuing listing criteria under Rule 13.24 and handling long-suspended companies, through two newsletters issued in <u>April</u> and <u>December</u> last year.

Dedicated webpage published

70. A dedicated <u>webpage</u> containing all publications of the Exchange regarding the COVID-19 pandemic was launched to facilitate issuers' and market practitioners' understanding of relevant measures adopted by the Exchange.

Update of Guidance on Sufficiency of Operations

- 71. Following the publication of the consultation conclusions on backdoor listing, continuing listing criteria and other Rule amendments in July 2019, Main Board Listing Rule 13.24 (GEM Listing Rule 17.26) was amended to impose a continuing listing obligation on a listed issuer to maintain a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant its continued listing.
- 72. The Rule amendments came into effect on 1 October 2019, and a Guidance Letter (HKEX-GL106-19) was published in October 2019 to provide guidance to issuers and market practitioners on the purpose behind and the general approach relating to the Exchange's application of Main Board Listing Rule 13.24 (GEM Listing Rule 17.26) after the Rule amendments.
- 73. At the October 2020 Policy Meeting, the Division sought the Committee's endorsement on the publication of an updated Guidance Letter on sufficiency of operations. The proposed update to the Guidance Letter clarified:
 - (a) The Exchange's general approach in handling equity issues proposed by issuers that are the subject of a Main Board Listing Rule 13.24 enquiry. As a general principle, the Exchange will normally refuse to grant listing approval for any issuance of new securities by an issuer if the issuer has not addressed the concern raised by the Exchange about its compliance with Main Board Listing Rule 13.24.
 - (b) The administrative practice that issuers that are the subject of a Main Board Listing Rule 13.24 decision should be required to announce that decision, and after the seven day period for an appeal of that decision expires, announce whether the issuer had appealed or would suspend trading. This gives investors a seven-day window within which to trade in the issuer's securities.
- 74. The Committee endorsed the Division's proposal, and the updated Guidance Letter (<u>HKEX-GL106-19</u>) was published on the HKEX website on 23 October 2020.

Long Suspended Companies and New Delisting Framework

- 75. On 1 August 2019, a new delisting regime came into effect under which the Exchange may delist a company after a continuous suspension of 18 months (Main Board issuers) or 12 months (GEM issuers)(the **New Delisting Regime**).
- 76. The New Delisting Regime aims to: (a) address the issue of prolonged suspension that prevents the proper functioning of the market; (b) remove the listing status from issuers that are in persistent breach of the Listing Rules in a material manner or are suspected of illegal or improper activities; and (c) incentivise issuers to re-comply with the Listing Rules.
- 77. For the year ended 31 December 2020, 15 suspended companies successfully resolved their regulatory issues and resumed trading (12 of them were subject to the New Delisting Regime) and 31 suspended companies were delisted (14 of them were subject to the New Delisting Regime). The New Delisting Regime also effectively shortens the suspension periods by incentivising issuers to re-comply with the Listing Rules and delisting issuers in persistent breach of the Listing Rules. Of the 12 resumed companies, nine were able to resolve their regulatory issues and resumed trading within one year after the trading suspension. The average suspension period of the 14 delisted companies was around 1.6 years.

Reviews of Listing Committee Decisions

- 78. Following publication of the Consultation Conclusions on Review Structure in relation to Listing Committee Decisions in January 2019, the Listing Review Committee (LRC) was established on 5 July 2019. The LRC is an independent review committee consisting entirely of outside market participants with no current Listing Committee members or representatives of the SFC or HKEX. It serves to provide an independent avenue for appeals to enhance governance within the Exchange's structure for reviewing the Listing Committee's decisions. All review hearings before the LRC are heard de novo with the LRC rehearing the relevant case and deciding it afresh after considering all evidence and arguments made at earlier hearings, having regard to the earlier decision of the Listing Committee and considering additional information/evidence adduced in accordance with LRC procedures.
- 79. For the year ended 31 December 2020, notwithstanding delays arising from the COVID-19 outbreak, the LRC considered a total of 27 reviews. Please refer to the section headed "Review Meetings" below on pages 31 and 32 for the distribution and outcome of these cases.
- 80. The majority of review applications were in respect of decisions to cancel listings arising from the issuer's failure to satisfy the Exchange's resumption guidance before the expiry of a prescribed remedial period. In this regard, it is to be noted that the Exchange's introduction of the New Delisting Regime has had significant impact on the number of cancellations which in turn prompted a number of LRC review applications by issuers.
- 81. Of the 19 review applications in respect of decisions to cancel listings heard by the LRC, 16 decisions were upheld, as these review applicants were not able to demonstrate that their situation fell within the exceptional circumstances under paragraph 19 of Guidance Letter <u>HKEX-GL95-18</u> (Guidance on long suspension and delisting), so as to warrant the granting of an extension of time to the remedial period.

Judicial reviews

- 82. Following the establishment of the LRC in July 2019, the introduction of the New Delisting Regime in August 2019, and the revised test for sufficient level of assets and operations under Main Board Listing Rule 13.24 and GEM Listing Rule 17.26 introduced in October 2019, there has been a brief upsurge of judicial reviews threatened and/or brought by issuers with respect to listing related decisions and in particular LRC decisions.
- 83. In the course of 2020, the Exchange has overseen 11 cases where issuers subject to adverse decision have either threatened or pursued judicial review proceedings. Of these 11 cases: (a) five were dismissed by the High Court, (b) three are ongoing, and (c) three were not pursued.
- 84. In the judgments dismissing the five cases, the Court has set out clear endorsements of the approach adopted by the Exchange in each case, reflecting the diligence of the Committees and the robustness and integrity of the decision-making process the Exchange has in place. The judgments have also set up a significant body of bespoke jurisprudence which will likely result in there being fewer judicial review court challenges in this space going forward.

Regular Business

Listing Applications

85. 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	2020	2019
Meetings Within the Regular Schedule	39	45
Specially Convened Meetings	5	13
Listing Applications considered by the Listing Committee	2020	2019
Applications Considered (Note 1)	151	197
Applications Approved (Note 2)	148	179
Applications Rejected	1	17
Decisions Deferred Pending Further Information	2	1
Listing Applications approved and/or listed by the Listing Committee	2020	2019
Applications Approved and Listed in the Year	129	143
Applications Approved in Previous Year and Listed in the Year	21	26
Applications Listed in the Year	150	169

Notes:

1. 2020 includes one (2019: two) very substantial acquisition and RTO treated as a new listing application.

2. 2020 includes all applications approved at the first hearing. 2019 includes three applications approved at the second hearing. Any case that was considered by the Committee more than once in the same year was counted as one case only.

Cancellation of Listing

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

	Number	of cases
Nature of decision	2020	2019
Main Board		
Cancellation of listing (Note 1)		
- Under the previous regime (Note 2)	7	5
- After expiry of prescribed remedial period under the new regime (Note 3)	20	14
Listed issuers placed into third stage of delisting procedures (Note 4)	-	6
Resumption of trading	12	1
GEM		
Cancellation of listing (Note 5)		
- Under the previous regime (Note 2)	-	3
- After expiry of prescribed remedial period under the new regime (Note 3)	9	3
Resumption of trading	3	-

Notes:

- 1. As at 31 December 2020, six of the 27 cancellation decisions made in 2020 were still subject to the review procedures under the Listing Rules.
- 2. This refers to cancellation of listing of (i) Main Board issuers under Practice Note 17 or Main Board Listing Rule 6.10 and (ii) GEM issuers under GEM Listing Rule 9.15.
- 3. This refers to cancellations pursuant to the fixed period delisting criteria of 18 months for Main Board issuers and of 12 months for GEM issuers implemented in accordance with the New Delisting Regime (see paragraph 75).
- 4. This refers to issuers under the third stage of delisting under Practice Note 17 under the previous delisting regime.
- 5. As at 31 December 2020, two of the nine cancellation decisions made in 2020 were still subject to the review procedures under the Listing Rules.

Other Matters

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

	Number of cases	
Nature of decision/advice sought	2020	2019
Listing Application Requirements		
- Guidance on GEM listing applications	-	2
- Requests for pre-application guidance from potential IPO applicants (Note 1)	2	2
Ongoing Obligations		
- Approval of voluntary withdrawal of listing (Note 2)	35	27
- Consideration of spin off proposal (Note 3)	38	17
 Guidance on whether a listed issuer had sufficient operations or assets to warrant continued listing under Main Board Listing Rule 13.24 and 		
GEM Listing Rule 17.26	12	8
- Approval of an issuer of structured products	-	3
- Extension of deadline in connection with a resumption proposal (Note 4)	2	1
- Guidance on resumption proposal (Note 5)	1	1
- Proposed listing of debt securities to retail investors	-	1
- Guidance on proposed subscriptions	-	1
- Consideration of individuals' suitability to be directors	-	-
- Guidance on issue of convertible securities	-	-
- Direct a resumption of trading in an issuer's securities	-	-

Notes:

1. 2020 includes one (2019: one) case considered twice.

2. 2020 includes withdrawal of listing of two (2019: 14) ETFs, four (2019: nil) investment products and offshore preference shares of two (2019: two) issuers.

- 3. 2020 includes two (2019: nil) cases considered twice.
- 4. 2020 includes one (2019: two) case(s) considered twice.
- 5. 2020 includes nil (2019: one) case considered twice.

Service Standards

Listing Applications

- 88. In 2020, the Exchange received 170% more listing applications under the new chapters (Chapters 18A and 19C) compared to 2019. In spite of the significant increase in the number of applications in those areas and more complicated issues in general, the Division was able to issue the first round comments within 20 business days from the date of acceptance for 99% of the listing applications received in 2020 (2019: 97%). In addition to listing applications, the Division has been concurrently handling an increased number of pre-IPO enquiries.
- 89. The statistics on guidance provided at pre-IPO stage are summarised below:

		Average number of business days taken
		between the date of request for guidance
	Number of written	and the date of issue
Action	response issued	of written response
Response to the request for guidance from listing applicants or		
their advisers seeking clarifications of listing matters	187	10

90. The relevant statistics on vetting of IPO applications are summarised in the following tables:

		Average number of
		business days taken
	Number of comment	from date of case
Action	letters issued	acceptance
Issuance of first round of comments	198	13

Action	Number of cases	Average number of business days taken from date of case acceptance
IPO cases presented to the Listing Committee for consideration (Note)	151	133
IPO cases presented to the GLAG for consideration	3	184
Overall	154	134

Note: The unwinding of delegated power to the GEM Listing Approval Group (**GLAG**) to approve GEM listings became effective on 1 January 2020 and the power to approve GEM listing applications was returned to the GEM Listing Committee.

Monitoring and Guidance Actions

91. 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.

		% of cases meeting service standard	
Service for Initial Responses	Service standard	2020	2019
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%	100%
- Initial response to pre-vetted circulars (other than very substantial acquisition)	5 business days	95%	97%
Issuers' enquiries (Note 1)			
- Initial response to issuer's enquiries	5 business days	94%	94%
Waiver applications (Note 2)			
 Initial response to waiver applications (other than application for delay in despatch of circular) 	5 business days	95%	94%
Post-vetting activities			
- Initial response to post-vetted result announcements	3 business days	97%	98%
 Initial response to post-vetted announcements (other than results announcements) 	1 business day	99%	98%

Notes:

1. In 2020, 403 written enquiries (2019: 390) on Listing Rule interpretations and related matters were handled.

2. In 2020, 519 waiver applications (2019: 351) from strict compliance with requirements under the Listing Rules were processed.

Disciplinary Matters

General Approach

- 92. The Exchange has a statutory duty to ensure, as far as reasonably practicable, an orderly, informed and fair market for the trading of listed securities.
- 93. The <u>Enforcement Policy Statement</u> sets out the Exchange's approach in relation to enforcing the Listing Rules. This includes four fundamental objectives, which are to:
 - (a) deter future breaches;
 - (b) educate the market;
 - (c) influence compliance culture and attitude; and
 - (d) enhance corporate governance.
- 94. The Division is responsible for the Exchange's enforcement of the Listing Rules.

Enforcement Investigations

- 95. Each year, the Division investigates conduct which may give rise to breaches of the Listing Rules. The Division receives referrals from various sources including:
 - (a) other regulatory or law enforcement agencies;
 - (b) complaints from the general public; and
 - (c) internal referrals as a result of compliance monitoring.
- 96. In pursuing any potential breach of the Listing Rules and deciding the level of regulatory action, the Division takes into account the non-exhaustive factors set out in the Enforcement Policy Statement.
- 97. In circumstances where the Division commences an investigation, the conduct and potential breach of the Listing Rules will normally be of a nature sufficiently serious to warrant a public sanction to be imposed by the Listing Committee.
- 98. Regulatory letters (such as warning letters) may be issued in circumstances where disciplinary proceedings before the Listing Committee are not considered appropriate. These will be recorded as part of the compliance history for the relevant party.
- 99. During 2020:
 - (a) The Division commenced 68 new investigations (not including the active investigations continued from 2019). This compares with 48 new investigations commenced in 2019.
 - (b) The Division finalised 34 investigations. The average time for completion of an investigation was 8.7 months. This compares with 9.6 months in 2019.

Enforcement Themes

- 100. In 2020, the majority of investigations conducted by the Division involved one or more of the following themes:
 - (a) Directors' performance of fiduciary duties particularly the exercise of care, skill and diligence required under the Listing Rules.
 - (b) Financial reporting delays or internal control and governance matters.
 - (c) Inaccurate, incomplete and/or misleading disclosures in corporate communications.
 - (d) Failure to comply with procedural requirements in respect of notifiable or connected transactions.
 - (e) Repeated breaches of the Listing Rules.
 - (f) Delayed trading resumption.
 - (g) Failure of issuers and directors to co-operate with the Division's investigation.
- 101. The Division will continue to pursue appropriate cases involving breaches of the Listing Rules whether or not they fall within the scope of these themes.

Disciplinary Action

- 102. Following an investigation and where disciplinary action is appropriate, the Committee will follow the <u>Disciplinary Procedures</u> which were updated in 2020 and published on the HKEX website.
- 103. In 2020:
 - (a) The Division commenced 20 disciplinary actions (as compared with 22 in 2019).
 - (b) Sanctions were published in respect of 13 concluded disciplinary actions (as compared with 13 in 2019).
- 104. As at 31 December 2020, there were 25 ongoing disciplinary cases (some under review) awaiting final outcome (as compared with 16 as at 31 December 2019).

Sanctions

- 105. Following any disciplinary action, the Committee has the power to impose certain sanctions on relevant parties. During 2020, the Division obtained public sanctions in all of the concluded disciplinary cases that were dealt with by the Committee.
- 106. The collective and individual responsibility of directors continues to be a cornerstone of the current enforcement regime. Directors must provide a personal undertaking to procure Rule compliance by listed issuers. The personal undertaking not only requires directors to ensure substantive compliance with the Listing Rules, but also imposes an obligation on independent non-executive directors to take pro-active steps to ensure issuer compliance with the Listing Rules. In 2020, the Division took action against directors as follows:

Number of directors subject to sanctions	2020	2019	2018
Executive directors	30	31	71
Non-executive directors	9	12	10
Independent non-executive directors	20	20	39
Total	59	63	120

107. In addition to issuing sanctions for breaches of the Listing Rules, the Division obtained a number of directions requiring listed issuers and directors to take proactive remedial action to rectify breaches, improve internal controls and overall corporate governance. Such directions included training requirements and the appointment of external experts to assist with control deficiencies and to provide compliance advice on an ongoing basis. The following table provides an overview of the number of cases in which various directions were obtained by the Division in 2020:

Number of cases involving	2020	2019	2018
"Internal Control Review" direction	2	2	2
"Retention of Compliance Adviser" direction	1	3	8
"Training of Directors" direction	5	9	12

108. As mentioned in paragraphs 21 to 23 above, the Exchange consulted the market on our disciplinary powers and sanctions in 2020. To ensure that we continue to enhance the quality of our market, the Division continues to assess the effectiveness of the enforcement and disciplinary regime in light of the fundamental objectives contained within the Enforcement Policy Statement and the overall purpose of enforcement of the Listing Rules.

Settlement and Cooperation

- 109. Investigations and disciplinary actions can be disposed of by settlement as approved by the Committee. Where the terms of the settlement represent a fair overall regulatory outcome and achieve the Exchange's regulatory objectives, the Committee continues to welcome the efforts made by market users and the Division to bring about the settlement and agreed disposal of investigations and disciplinary matters in an appropriate manner. The <u>Statement on Settlement of Disciplinary Matters</u> was updated and published on the Exchange's website in 2020.
- 110. The Division wishes to remind directors that there is a positive obligation on them to interact promptly and openly with the Division during the course of all interactions with it. Pursuant to the terms of their undertaking to the Exchange, directors of listed issuers are required to cooperate with the Division to facilitate the performance of its regulatory function. Failure to do so is unacceptable and will likely lead to the imposition of a severe public sanction. Such sanctions will be recorded by the Division and will be taken into account when determining that director's suitability to continue to act as director of the relevant listed issuer, or as new director of a listing applicant or another listed issuer.

Interaction with Other Regulators

- 111. The Division refers the conduct of listed issuers and their directors that may give rise to suspected breaches of the law to the SFC and other law enforcement agencies (e.g. the Independent Commission Against Corruption and the Commercial Crime Bureau of the Hong Kong Police) as appropriate. It provides assistance by providing documents or information and witness statements (covering, amongst other things, technical advice on the application of the Listing Rules), to support prosecution proceedings.
- 112. During 2020, the Division provided continuing support to the SFC and other law enforcement agencies by dealing with 67 requests for documents or information and providing six witness statements (as compared with 51 requests and seven witness statements in 2019).

Enforcement News

113. The Division continues to publish <u>Enforcement Bulletins</u> relating to enforcement activity and specific focus areas which it considers to be of public interest.

Review Meetings

114. During the year: (a) the Listing Review Committee considered 27 (2019: 11) requests for review; (b) the Listing Committee considered 19 (2019: 18) requests for review of decisions made by the Division and eight (2019: 21) requests for review of decisions made by the Listing Committee; and (c) the Listing Appeals Committee considered three (2019: nine) requests for review. Details of these reviews are set out in the table below.

Under the Current Review Regime

Appeal Committee	Decision made by	Nature of decision	Number of cases	Outcome as at 31 December 2020
Listing Review Committee	Listing Committee	Cancellation of listing	19	Upheld: 16 Overturn: 3
		Suspension of trading	6	Upheld: 6
		Return of IPO application	1	Upheld: 1
		Rejection of IPO application	1	Overturn: 1
Listing Committee	Listing Division	Failure to comply with Main Board Listing Rule 13.24/GEM Listing Rule 17.26 and suspension of trading	11	Upheld: 10 Overturn: 1
	Listing Division	Main Board Listing Rule 2B.15 application	3	Rejected: 3
	Listing Division	Reverse takeover under Main Board Listing Rule 14.06B/GEM Listing Rule 19.06B/	3	Upheld: 3
	Listing Division	Placing a listed issuer into the second stage of delisting under PN 17 of the Main Board Listing Rules	1	Upheld: 1
	Listing Division	Grant of direct purchase options constituted anti-dilution right and violated Main Board Listing Rule 2.03(4)	1	Upheld: 1

Under the Old Review Regime

Appeal Committee	Decision made by	Nature of decision	Number of cases	Outcome as at 31 December 2020
Listing Appeals Committee	Listing (Review) Committee	Cancellation of listing	2	Upheld: 2
	Listing Committee	Rejection of listing application	1	Overturn: 1
Listing (Review) Committee	Listing Committee	Cancellation of listing	4	Upheld: 4
	Listing Committee	Failure to comply with Main Board Listing Rule 13.24/GEM Listing Rule 17.26 and suspension of trading	3	Upheld: 3
	Listing Committee	Placing a listed issuer into second delisting stage stage under PN17 of the Main Board Listing Rules	1	Upheld: 1

115. As at 31 December 2020, there were 24 cases under review as follows:

Under the Current Review Regime

Appeal Committee	Decision made by	Nature of decision	Number of cases
Listing Committee	Listing Division	Failure to comply with Main Board Listing Rule 13.24/GEM Listing Rule 17.26 and suspension of trading	4
		Main Board Listing Rule 2B.15 application	1
		Rejection of issuer's waiver application from strict compliance with Main Board Listing Rule 14.58(2)	1
Listing Review Committee	Listing Committee	Cancellation of listing	6
		Suspension of trading	5
		Reverse takeover	1
		Sanction imposed	3

Under the Old Review Regime

Appeal Committee	Decision made by	Nature of decision	Number of cases
Listing Appeals Committee	Listing (Disciplinary Review) Committee	Sanction imposed	1
	Listing (Review) Committee	Cancellation of listing	2

Policy Agenda for 2021 and Beyond

116. Highlighted below are those matters the Exchange currently plans to consider during 2021 and beyond:

Prospectus and Listing Process

- Consultation Paper on Listing Regime for Overseas Companies
- Consultation Paper on Optimisation of the IPO Price Discovery Process and Market Infrastructure
- Rule Amendments to Implement Changes to Hong Kong's IPO Settlement Process
- Consultation Conclusions on the Main Board Profit Requirement
- Review of Chapter 15A regarding Structured Products

Ongoing Obligations and Other Related Matters

- Consultation Paper on Share Schemes of Listed Issuers
- Consultation Paper on Review of the Corporate Governance Code
- Consultation Conclusions on Review of Listing Rules Relating to Disciplinary Powers and Sanctions
- Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of Documents on Display Phase II

Appendix 1 Composition, Role and Operations of Listing Committee

Members as at 31 December 2020

Chairman

BRIEN Peter Wilhelm Hubert

Deputy Chairmen

YIEN Yu Yu, Catherine POGSON Timothy Keith

Ex officio member

LI Xiaojia, Charles

Other members (in alphabetical order)

BHATIA Renu CHAN Chiu Kong, Edmond CHAN Kok Chung, Johnny CHAN Wai Yan, Ronald CHAN Yuen Shan, Clara CHAU Paul **CLARK Stephen John DEMOPOULOS Frederick EMSLEY Matthew Calvert KEYES** Terence LAU Pak Wai, David LAU Paul LI Chun, Elsy LI Lin, Lincoln LLOYD Victoria Sally Tina NIXON Charles George Rupert PU Hai Tao, Richard SOON Y S Elizabeth VAN RIJN Arnout WOLHARDT Julian Juul WONG John William Pei-Keat WONG Yu Tsang, Alex YANG Hoi Ti, Heidi YIH Lai Tak, Dieter

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 non-voting member²³.
- The Listing Committee has no staff and no budget. A fixed annual fee of HK\$150,000 is offered for regular Committee members, HK\$187,500 for the Deputy Chairmen and HK\$225,000 for the Chairman on account of their contribution to the Listing Committee.

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 Division (to the extent practicable given the Committee's mode of operation).
 - (b) To provide policy advice to the Division on listing matters and to approve amendments to the Main Board Listing Rules and GEM Listing 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 for decisions made by the Division²⁴.
- 4. The Listing Liaison Forum (**LLF**) provides a monthly forum for operational matters to be raised by the Chairman and Deputy Chairmen with the Chief Executive and the Head of Listing (and vice versa). This is part of the oversight of the Division by the Listing Committee. The LLF is not a forum for discussing substantive policy matters. In addition, on a semi-annual basis, the Committee's Chairman and two Deputy Chairmen and Head of Listing attend a meeting of the HKEX Board to communicate with the HKEX Board on the operation of the Division and the Listing Committee.

²³ The Chief Executive of HKEX attends Listing Committee meetings as a non-voting member representing the HKEX's board only where listing policy matters are discussed, and does not attend Listing Committee meetings on individual cases.

²⁴ The Listing Committee ceased to act as a review body for its own decisions following the establishment of the Listing Review Committee on 5 July 2019.

- 5. The Listing Policy Panel (LPP) has been established as an advisory, consultative and steering body outside the SFC and the Exchange to centralise discussion of listing policies with broader regulatory or market implications. The LPP comprises the Chairman and Deputy Chairmen of the Listing Committee, as well as representatives from HKEX, the SFC and the Takeovers Panel. The Chairman and Deputy Chairmen of the Listing Committee represent the views of the Listing Committee (including any differing views among the Listing Committee members) at LPP meetings.
- 6. A more detailed description of the <u>role and mode of operation of the Listing Committee</u> and its approach to handling conflicts of interest is set out on the HKEX website.

Operations of the Listing Committee

- 7. 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 and GEM. The Division 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 Division, 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.
- 8. The power to approve the cancellation of listing of securities (**delisting**) rests with the Listing Committee. Main Board issuers may be delisted immediately or delisted if they fail to remedy issues and resume trading before the end of the remedial period specified in the delisting notice. They may also be delisted under Main Board Listing Rule 6.01A. GEM Listing Rules 9.14 to 9.18 deal with the delisting of GEM listed issuers.
- 9. The Listing Committee's approval is required 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.
- 10. At each regular meeting, the Division provides the Listing Committee with information on listed issuers 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 listed issuers 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 listed issuers.
- 11. 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 matters 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 Listing Rules which have previously been approved at quarterly policy meetings that are minor in nature but which, nonetheless, require the Listing Committee's approval.

- 12. 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 Division and from those alleged to have breached the Listing 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 Division 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.
- 13. For agreed disposals of disciplinary matters, a settlement proposal as agreed between the Division 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. All parties to a 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
23rd January 2020 Regular meeting	Information paper on review of issuers' annual report disclosure
13th February 2020 Regular meeting	Listing Committee Report 2019
6th April 2020 Policy meeting	 Update on Draft Consultation Paper on Review of Disciplinary Powers and Sanctions Consultation Paper on Proposals to Display Documents Online and to Allow Fully Electronic IPOs Update on Chapter 37 Consultation (Verbal) Independent Commission Against Corruption Study of Initial Public Offering Procedures Review of Listing Regime for Overseas Issuers Optimisation of IPO Price Discovery - Feedback from Preliminary Discussions with Market Practitioners Review of the Main Board Financial Eligibility Requirements Review of the Operation of Chapter 18A Biotech Companies Consultation Paper on Codification of General Waivers and Principles relating to IPOs and Listed Issuers and Minor Rule Amendments Themes for Review of Issuers' Annual Report Disclosure Programme 2020 Review of Spin-off Policy Update on Corporate Governance and Environmental, Social and Governance Periodic Update on Listing Committee's Oversight of Listing Division Technology Projects in Listing Update on Regulatory Developments
28th April 2020 Regular meeting	Concept Paper on Modernising Hong Kong's IPO Settlement Process
14th May 2020 Regular meeting	 Consultation Conclusions on Review of Chapter 37 – Debt Issues to Professional Investors Only and Market Guidance on Disclosures in Listing Documents for Debt Issues to Professional Investors Only

Date	Items
11th June 2020 Regular meeting	Shortening of Structured Products Listing Cycle
18th June 2020 Regular meeting	Updates to Disciplinary Procedures and Settlement Statement
29th June 2020 Policy meeting	 Responses to Corporate WVR Consultation Main Board Profit Requirement CG Focuses on Corporate Culture, Board's Independence and Diversity and Earlier Publication of ESG Reports Listing Committee's Oversight of Listing Division Periodic Report ICAC Report on its Study of IPO Procedures and Implementation SFC Report on 2019 Audit and Implementation Report from Slaughter and May Consultation Conclusions on Review of Chapter 37 Consultation Conclusions on Review of Chapter 37 Consultation Conclusions on Codification of General Waivers and Principles relating to IPOs and Listed Issuers and Other Minor Rule Amendments GEM Applications for the Six Months Ended 31 March 2020 International Regulatory Development (Verbal) Cancellation of Listings under the New Regime (Verbal) 2019 Enforcement Figures (Verbal) Issuers' Publication of Annual Results in light of COVID-19 (Verbal) Profit Forecast Review (Verbal) Listing Regime for Overseas Issuers (Verbal) Update on Optimisation of IPO Price Discovery (Verbal)
30th July 2020 Regular meeting	 Progress Update on Consultation Conclusions on Review of Chapter 37 – Debt Issues to Professional Investors Only
13th August 2020 Regular meeting	• Extension of resumption deadlines of long suspended companies in light of COVID-19
10th September 2020 Regular meeting	• Information paper on the transitional arrangement relating to the amendments to Rule 13.24
12th October 2020 Policy meeting	 Draft Consultation Conclusion Paper on Corporate WVR Beneficiaries Consultation Paper on the Main Board Profit Requirement Proposals to amend Rules to govern Share Schemes Information paper on the regulation of backdoor listings after the RTO Rules amendments Update on Proposals for CG Consultation and CG Disclosure Analysis Responses to Paperless Listing and Documents on Display Consultation Update on Optimisation of IPO Price Discovery (Verbal) Update on Regulatory Development (Verbal) Consultation Paper on Review of Listing Regime for Overseas Issuers (Verbal) Responses to Consultation on Review of Disciplinary Powers and Sanctions (Verbal)
3rd December 2020	 Consultation Conclusions Paper on Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display

Appendix 3 Meeting Statistics

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

		ber of	Average number of			
	mee	tings	members in attendance			
Nature of meeting	2020	2019	2020	2019		
Regular Meetings:						
- With regular business only	37	49	17.2	13.3		
- With policy items	10	9	18.2	14.9		
Total	47	58	17.4	13.6		
Review Meetings (*excluding reviews by						
Listing Appeals Committee)	27	39	6.0	6.0		
Disciplinary Meetings	24	19	6.7	6.5		
Quarterly and ad hoc policy meetings	3	3	26	20.7		
Total	101	119				

Note: Decisions made by the Listing Committee on or after 6 July 2019 are now subject to review by the Listing Review Committee (subject to the transitional arrangements).

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

Appendix 4 Attendance at Meetings

The following table shows Listing Committee members' attendance at meetings. Members' contributions this year also included participating on six sub-committees for particular policy matters and officiating at listing ceremonies.

	Nature of Meeting (Note 2)								
	Regular		Policy	Policy		Disciplinary		Review	
Members	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%	
In office all year									
Mr Peter Brien	42/47	89	3/3	100	9/17	53	6/11	55	
Ms Catherine Yien	37/40	93	3/3	100	7/21	33	7/17	41	
Mr Keith Pogson	44/37	119	3/3	100	8/11	73	5/6	83	
Mr Charles Li (Note 3)	n/a	n/a	3/3	100	n/a	n/a	n/a	n/a	
Ms Renu Bhatia	33/27	122	3/3	100	9/18	50	8/16	50	
Mr Edmond Chan	36/24	150	3/3	100	16/16	100	8/8	100	
Mr Ronald Chan	28/27	104	3/3	100	6/18	33	8/12	67	
Ms Clara Chan	23/25	92	3/3	100	13/18	72	8/10	80	
Mr Paul Chau	26/25	104	3/3	100	6/9	67	9/10	90	
Mr Frederick Demopoulos	39/25	156	3/3	100	5/14	36	11/14	79	
Mr Matthew Emsley	29/25	116	3/3	100	8/14	57	3/6	50	
Mr David Lau	33/27	122	3/3	100	13/17	76	12/14	86	
Ms Elsy Li	29/27	107	3/3	100	8/14	57	10/14	71	
Ms Victoria Lloyd	28/27	104	3/3	100	8/15	53	9/11	82	
Mr Charles Nixon	38/27	141	3/3	100	1/16	6	0/10	0	
Mr Richard Pu	13/25	52	3/3	100	0/17	0	0/20	0	
Mr Arnout Van Rijn	24/27	89	3/3	100	3/15	20	4/14	29	
Ms Elizabeth Soon	31/25	124	3/3	100	0/17	0	0/18	0	
Mr Julian Wolhardt	19/25	76	2/3	67	1/16	6	4/16	25	
Mr Alex Wong	21/25	84	3/3	100	3/16	19	3/17	18	
Mr Dieter Yih	30/27	111	3/3	100	5/13	38	6/12	50	
Mr John Wong	25/27	93	2/3	67	2/15	13	2/16	13	
Ms Heidi Yang	30/25	120	2/3	67	0/16	0	3/14	21	

	Nature of Meeting (Note 2)							
	Regular		Policy		Disciplinary		Review	
Members	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
Appointed this year (Note 4)								
Mr Johnny Chan	23/12	192	1/1	100	2/9	22	5/9	56
Mr Stephen Clark	21/15	140	1/1	100	6/6	100	5/5	100
Mr Terence Keyes	20/12	167	0/1	0	7/9	78	8/10	80
Mr Paul Lau	24/15	160	1/1	100	3/9	33	5/6	83
Mr Lincoln Li	21/15	140	1/1	100	1/12	8	2/9	22
Retired this year (Note 5)								
Mr Andrew Weir	20/23	87	2/2	100	0/0	0	0/0	0
Mr Donald Roberts	10/13	77	2/2	100	4/7	57	6/9	67
Mr Philip Tye	11/13	85	2/2	100	5/6	83	4/4	100
Mr Vincent Gao	11/12	92	2/2	100	1/5	20	0/7	0

Notes:

1. 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 and Deputy Chairmen 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;
- The member is conflicted on all substantive matters to be considered at a meeting that the member is pooled for; or
- The member is unable to attend due to illness.

2. 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. Unlike regular meetings that are scheduled on the same day and at the same time every week, review and disciplinary meetings are scheduled on an ad hoc basis. Therefore, conflicts with members' other commitments are more likely as it is not possible for members to block out a regular time in their diaries to attend these meetings. Also, some review and disciplinary meetings have to be scheduled on short notice due to their nature. The Chief Executive does not participate in review and disciplinary meetings.

3. The HKEX Chief Executive attends Committee meetings as a non-voting member representing the HKEX's board only where listing policy matters are discussed, and does not attend Listing Committee meetings on individual cases.

- 4. Members were appointed on 10 July 2020.
- 5. Members retired on 10 July 2020.

6. For policy meetings and regular meetings, attendance includes remote participation by telephone/video-conferencing.

Hong Kong Exchanges and Clearing Limited

8/F, Two Exchange Square 8 Connaught Place, Central, Hong Kong T (852) 2522 1122 F (852) 2295 3106 info@hkex.com.hk

hkexgroup.com | hkex.com.hk