



# The Listing Committee Report 2009



## INTRODUCTION

1. This is the fourth calendar year report of the Listing Committee of the Stock Exchange of Hong Kong Limited (the “Exchange”). 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. Throughout this report, the expression Listing Committee refers to the combined committees unless the context requires otherwise.
2. This report is an account of work of the Listing Committee in respect of the year ended 31 December 2009.
3. This report has been prepared for the board of the Exchange (the “Exchange Board”) and the board of its parent company, Hong Kong Exchanges and Clearing Limited (“HKEx”). This report will be forwarded to the Financial Services and Treasury Bureau, the Securities and Futures Commission (the “SFC”) and posted on the HKEx website.
4. The Listing Committee has no staff and no budget. The members of the Listing Committee are offered a fixed annual fee of HK\$80,000 on account of attendance at and preparation for regular, policy, disciplinary and review meetings.

## MEMBERSHIP

5. The Listing Committee consists of 28 members as follows:
  - At least eight individuals who the Listing Nominating Committee (“LNC”) considers will represent the interests of investors.
  - Nineteen individuals who the LNC considers will be 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.
  - The Chief Executive of HKEx as an ex-officio member.

	NATURE OF MEETING							
	Regular (45 Meetings)		Policy (4 Meetings)		Disciplinary (5 Meetings)		Review (5 Meetings)	
	Attended	% Attended	Attended	% Attended	Attended	% Attended	Attended	%
<b>Current Members</b>								
Ms. Teresa Ko	32	71	4	100	1	33	0	0
Mr. Carmelo Lee <sup>1</sup>	22	73	2	100	2	67	2	40
Mr. John Moore <sup>2,3</sup>	31	82	4	100	3	60	1	33
Mr. Jamie Allen <sup>4</sup>	17	74	3	75	0	0	0	0
Ms. Melissa Brown <sup>5</sup>	21	91	4	100	2	50	3	75
Mr. Stephen Brown	21	91	1	25	2	67	3	75
Mr. Robert Bunker <sup>6</sup>	31	135	3	75	2	100	3	75
Mr. Vincent Chan	14	61	3	75	0	0	0	0
Mr. Roy Chen	17	74	4	100	1	50	3	100
Mr. Jack Chow <sup>1</sup>	16	107	2	100	1	100	1	20
Dr. S K Fung	31	135	4	100	3	100	4	100
Mr. Stephen Hunt <sup>2</sup>	24	104	3	75	2	67	2	50
Dr. Guorong Jiang <sup>1,3</sup>	13	87	2	100	1	50	0	0
Mr. Terence Keyes <sup>6</sup>	28	122	4	100	1	33	2	50
Mr. Anthony Leung <sup>1</sup>	16	107	2	100	1	100	0	0
Mr. Joseph Longo <sup>3,5</sup>	21	91	4	100	2	67	0	0
Prof. C K Low <sup>5</sup>	20	87	3	75	0	0	0	0
Ms. Mary Ma <sup>1</sup>	16	107	2	100	1	100	1	25
Mr. Alex Ng <sup>4,5</sup>	22	96	4	100	0	0	0	0
Mr. Daniel Ng <sup>1</sup>	18	120	1	50	1	100	0	0
Mr. Alexander Schrantz <sup>3,5</sup>	16	70	3	75	1	50	3	100
Ms. Edith Shih <sup>1,3</sup>	17	113	2	100	1	100	1	20
Mr. James Soutar <sup>3,7</sup>	22	96	3	75	2	67	1	20
Mr. Richard Sun <sup>1</sup>	12	80	2	100	1	100	1	20
Mr. Richard Winter	19	83	4	100	0	0	2	50
Mr. Adrian Wong	23	100	4	100	2	67	0	0
Dr. Kelvin Wong <sup>4</sup>	22	96	4	100	0	0	2	50
Mr. Gage McAfee <sup>8</sup>	11	73	2	100	1	50	0	n/a
Mr. Tony Tsoi <sup>8</sup>	13	87	2	100	1	50	0	n/a
Mr. Roger Best <sup>8</sup>	7	88	2	100	0	n/a	0	n/a
Mr. Paul Go <sup>8</sup>	3	38	2	100	0	0	0	n/a
Mr. Stephen Hui <sup>9</sup>	6	86	1	50	0	0	0	n/a
Mr. Ernest Ip <sup>3,8</sup>	4	50	1	50	0	0	0	n/a
Mr. Alex Ko <sup>3,8</sup>	8	100	2	100	0	0	0	n/a
Mr. Raymond Lee <sup>8</sup>	5	63	1	50	0	0	0	n/a
Mr. Paul Chow <sup>11</sup>	34	76	4	100	0	0	0	0

Notes:

- Members appointed on 5 June 2009.
- Mr. John Moore became Deputy Chairman on 5 June 2009 having previously been an ordinary member of the Listing Committee.
- Attendance includes participation by telephone in one regular meeting at which policy matters were discussed.
- Attendance includes participation by telephone in two regular meetings at which policy matters were discussed.
- Attendance includes participation in one policy meeting by telephone.
- Attendance includes participation by telephone in three regular meetings at which policy matters were discussed.
- Attendance includes participation in two policy meetings by telephone.
- Members retired on 5 June 2009.
- Mr. Stephen Hui resigned from the Committee on 24 April 2009 on being appointed to the Board of HKEx.
- Except where indicated members served throughout the year.
- Mr. Paul Chow is the Chief Executive of HKEx, an ex-officio member of the Listing Committee.
- For regular meetings, percentage attendance is calculated based on a member attending half the meetings in the period in accordance with the pooling schedule. A percentage in excess of 100 indicates a member attending more meetings than allocated under the pooling schedule. For the chairman, deputy chairmen and the Chief Executive the percentage is calculated based on total number of meetings in the period.
- For review and disciplinary meetings, percentage attendance 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. The members' unavailability due to other commitments on a scheduled date has not been taken into account in the table above. The Chief Executive does not participate in review and disciplinary meetings.

## **ROLE AND MODE OF OPERATION OF THE LISTING COMMITTEE**

6. The Listing Committee acts both as an independent administrative decision maker and an advisory body for the Exchange. The Listing Committee has four principal functions:
  - To oversee the Listing Division (to the extent that this is practicable given the Listing Committee's mode of operation).
  - To provide policy advice to the Listing Division on listing matters and to approve amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Main Board Listing Rules") and Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules") (together the "Listing Rules").
  - To take decisions of material significance for listing applicants, listed companies and the individuals concerned.
  - To act as a review body (in its role as the Listing (Review) Committee) for decisions made by the Listing Division and by the Listing Committee.
7. A more detailed description of the role and mode of operation of the Listing Committee and its approach to handling conflicts of interest is set out on the website of HKEx at [http://www.hkex.com.hk/eng/listing/listcomrpt/documents/LCRole\\_Mode.pdf](http://www.hkex.com.hk/eng/listing/listcomrpt/documents/LCRole_Mode.pdf).

## **MAIN ISSUES ARISING IN THE YEAR**

8. This section contains a summary of the issues the Listing Committee has dealt with during the year which the Listing Committee believes will be of greatest interest to the investing public, practitioners and listed companies, and outlines the position or action the Listing Committee has taken.
9. The list of main issues represents the Exchange's effort to (i) improve the depth of the Hong Kong market as a major international capital formation centre; (ii) enhance the efficiency of the listing process; and (iii) improve the clarity in the interpretation of the Listing Rules and transparency of Listing Division's practices.

## **Improving the depth of the Hong Kong market**

### **Combined Consultation Conclusions on General Mandates**

10. Under Issue 11 of the Combined Consultation Paper issued in January 2008, HKEx sought public comment on various aspects relating to the issue of securities under a general mandate. Under the current Listing Rules, listed issuers are allowed, under a general mandate, to issue securities representing up to 20 per cent of their existing issued share capital. The general mandate generally lasts for 12 months and can be refreshed. In 2004, amendments were made to the Rules which imposed a 20 per cent limit on discounts to the market price in the case of a placing of securities for cash consideration.
11. HKEx kept an open mind about the policy direction and did not include a preferred position in the paper.

12. On 9 October 2009, HKEx published its consultation conclusion. Having considered the market responses and based on an analysis of the current facts and circumstances, HKEx considered that there were on balance no compelling grounds for deviation from the status quo, neither did there appear to be any prevailing general consensus on the appropriate direction and extent of any possible reform.
13. Accordingly, no amendments were made to the Listing Rules with regard to general mandates.

#### **Consultation on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong**

14. The Exchange published a Consultation Paper on 28 August 2009 regarding a proposed framework and Listing Rule amendments for acceptance of Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong.
15. The proposed framework was a joint effort of Hong Kong regulators and was based on input from representatives of the Exchange, the Financial Services and the Treasury Bureau, the Securities and Futures Commission, the Financial Reporting Council and the Hong Kong Institute of Certified Public Accountants. The Ministry of Finance of China and the China Securities Regulatory Commission also provided views and input.
16. The consultation period ended on 23 October 2009. The Exchange received a total of thirty submissions from listed issuers, professional and industry associations, market practitioners and individuals. Of the thirty respondents, a majority expressed general support to the proposals. The full text of all the submissions is available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/responses/cp200908r.htm>.
17. Having considered the responses, the Listing Committee agreed to implement the principal proposals as set out in the Consultation Paper, which are:
  - to allow Mainland incorporated Main Board and Growth Enterprise Market issuers to prepare their financial statements using Mainland accounting standards;
  - to allow Mainland audit firms approved by the Ministry of Finance of China and the China Securities Regulatory Commission to service these issuers using Mainland auditing standards; and
  - to provide for a reciprocal arrangement to allow companies incorporated or registered in Hong Kong and listed in the Mainland to prepare their financial statements using Hong Kong Financial Reporting Standards/International Financial Reporting Standards and audited by Hong Kong audit firms registered with the Hong Kong Institute of Certified Public Accountants using Hong Kong Standards on Auditing or International Standards on Auditing.
18. Regulators in the Mainland and Hong Kong are working closely to finalise necessary arrangements for implementation of the proposals.

## **Consultation on New Listing Rules for Mineral and Exploration Companies**

19. In 2009, the Exchange reviewed the existing Listing Rules for mineral and exploration companies by benchmarking them against rules and legislation in other jurisdictions, including Australia, Canada, China, South Africa, the UK and the US. The Exchange also sought views from oil and gas consultants on suitable disclosure requirements for oil and gas exploration companies.
20. The Exchange's review focused on:
  - Eligibility Requirements;
  - Disclosure (technical reporting) Standards;
  - Continuing Obligations; and
  - Social and Environmental Obligations.
21. Taking into account of the views of the consultants, experts and a select group of market practitioners, the Committee authorised the release on 11 September 2009 of a consultation paper proposing a revamp of Chapter 18 of the Listing Rules. The proposed Rule amendments were intended to ensure mineral companies provide investors with material, relevant and reliable information, and to align the Exchange's rules with globally recognised standards.
22. The Exchange received 42 responses and plans to publish the consultation conclusions and the Rule amendments in 2010.

## **Quarterly Reporting for Main Board Issuers**

23. On 12 February 2009 the Exchange issued a press release in relation to issues on directors' "black out" period in which the Exchange proposed that there should be a consultation on the possible alternatives to quarterly reporting. In the press release, the Listing Committee indicated support on the implementation of a statutory obligation to disclose price sensitive information, together with other measures that could enhance the existing disclosure regime.
24. At the policy meeting held on 18 May 2009, the Listing Committee considered a discussion draft paper entitled "Consultation Paper on Alternative Approaches to Quarterly Reporting". The Committee provided comments and direction on the draft paper which set out the possible alternatives to quarterly financial reporting.
25. At the policy meeting held on 9 November 2009, the Committee considered a further draft discussion paper on quarterly reporting. That paper had proposed the introduction of quarterly financial reporting or, as an alternative, narrative management statements tailored to the Hong Kong market.

## **Corporate Governance Review**

26. The Listing Committee has formed a sub-committee to consider whether issuers should set up a corporate governance committee and how the role of the company secretary may be further enhanced.



27. The sub-committee is also taking the opportunity to review other issues relating to the Code on Corporate Governance Practices (“CG Code”) as well as items pertaining to corporate governance that have arisen in the course of our administration of the Listing Rules in recent years. The objective is to make possible enhancements to the CG Code that is benchmarked against international standards. Topics covered include disclosure of information on directors, shareholders meetings and matters relating to directors, in particular, independent non-executive directors.

## **Streamlining and improving market efficiency**

### **Potential waiver from profit test requirement**

28. Main Board Listing Rule 8.05 sets out the basic conditions applicants must satisfy in order to apply for a listing. Applicants must satisfy either the profit test in Rule 8.05(1), or the market capitalisation/revenue/cash flow test in Rule 8.05(2) or the market capitalisation/revenue test in Rule 8.05(3).
29. On 5 June 2009, SEHK issued a news release setting out the circumstances in which it may consider, on a case-by-case basis, granting waivers to Main Board IPO applicants from strict compliance with the profit test requirements under the Main Board Listing Rule 8.05(1)(a) if their profit over the track record period has been temporarily and adversely affected by the global financial crisis.
30. The global market downturn highlighted a limitation of the existing profit test as an indicator of an applicant’s future performance where circumstances have changed radically.
31. The Exchange will review the existing profit test and other components of the eligibility requirements in 2010.

### **Consultation and Conclusions on Proposed Changes to Filing and Checklist Requirements for Listing of Equity Securities**

32. On 26 June 2009, the Committee authorised the publication of a consultation paper on proposed changes to the filing and checklist requirements for initial public offerings and listing of additional equity securities by listed issuers. The proposals aimed to reduce cost and paper burden, as well as shorten the listing timetable without substantive changes to the content requirements.
33. The proposals received wide market support. The conclusion, published on 2 October 2009, is available on the HKEx website at [http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp200906cc\\_e.pdf](http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp200906cc_e.pdf). Amendments to the Listing Rules took effect on 2 November 2009.
34. In response to market views obtained during the consultation process, the Exchange also published a number of guidance materials in July 2009 to enhance the transparency of IPO application process.

### **Consultation and Conclusions on Proposals to Accelerate Rights Issues and Open Offers**

35. On 31 July 2009, the Exchange published a Consultation Paper on Proposals to Accelerate Rights Issues and Open Offers. The paper sought views on shortening the notice period for book closure for rights issues and open offers as well as other related housekeeping amendments. The consultation period ended on 30 September 2009.
36. The Exchange received a total of 37 submissions from listed issuers, market practitioners, individuals, and professional and industry associations. Market feedback indicated general support for the proposals.

37. The Committee decided to adopt the proposals with some modifications to take into account the respondents' views including that the reduced notice period for book closure will apply to rights issues only. The Committee considered that the reduced notice period will shorten the execution period of rights issues. This will help reduce underwriting risk and facilitate fund raisings by issuers, and in turn benefit shareholders and investors. However, it acknowledged the concerns of a considerable number of respondents about shortening the notice period for open offers in light of the differences between rights issues and open offers in renounceability of subscription rights, and decided not to implement the proposal for open offers. The Exchange will take into account the respondents' suggestions on various aspects of open offers and conduct an overall review of the existing Rules on open offers.
38. On 18 December 2009, the Exchange published the consultation conclusions on the HKEx website at [http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp200907cc\\_e.pdf](http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp200907cc_e.pdf). The amended Listing Rules became effective on 1 February 2010.

### **Update on Listing of Overseas Companies**

39. To continue from the initiative in the 2008 report to promote the listing of overseas companies, the Committee has allowed a more flexible and purposive approach to accepting overseas jurisdictions for listing purpose. This approach was memorialised in Guidance Letter GL12-09 published on the HKEx website.
40. The new guidance advocates streamlined vetting procedures which include:
- engaging the Listing Committee to provide early direction to potential issuers on the jurisdiction issue;
  - avoiding rigidly requiring applicants to change their constitutional documents;
  - allowing an applicant to benchmark its shareholder protection standards to standards of any one of the recognised or accepted jurisdictions, instead of benchmarking directly to Hong Kong's standards;
  - adopting a purposive approach when interpreting shareholder protection equivalence; and
  - allowing applicants from jurisdictions which have already been considered and accepted to benefit from the arrangements established for the first issuer from the jurisdiction.
41. To date, the Committee has considered and accepted in principle ten jurisdictions of incorporation. These jurisdictions are Australia, British Virgin Islands, Canada (British Columbia and Ontario), Cyprus, Germany, Jersey, Luxembourg, Singapore, and United Kingdom. This represents a significant expansion from the four jurisdictions currently recognised under the Listing Rules (Hong Kong, the People's Republic of China, Bermuda and the Cayman Islands).
42. To enhance transparency, a new webpage [http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/listoc/list\\_of\\_aoj.htm](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/listoc/list_of_aoj.htm) was created on the HKEx website to provide updated information on newly accepted jurisdictions, listing decisions and guidance materials.



## Property Valuations

43. One of the comments made by the consultant in the Strategic Review of the Listing Rules in 2008 was that the current requirements on property valuations are unnecessarily costly and unduly burdensome for non-property companies, especially if the property is held for non-commercial operations. The consultant recommended that the Exchange remove the property valuation requirements for non-property companies.
44. The Exchange and SFC solicited views on the current requirements on property valuations from an interested group of practitioners in July 2009. The Listing Division also reviewed the current property valuation requirements and considered situations where the requirements could be unduly burdensome while the information may not benefit the investors materially.
45. Whilst the SFC expressed its support for a review of the current property valuation requirements, it noted that the review covers amending requirements on both IPO prospectuses and listed issuers. As IPO prospectuses are subject to both the Companies Ordinance (CO) requirements and Listing Rule requirements, the SFC advised to adopt a more holistic approach to address the issues by reviewing both the CO and Listing Rule requirements on property valuations together. The Listing Division and the Listing Committee will continue to work with the SFC in reviewing and addressing the issues of the current requirements on property valuations.

## Consultations on Proposed Changes to (i) the Requirements for Circulars and Listing Documents of Listed Issuers; and (ii) the Connected Transaction Rules

46. During 2009, the Listing Division presented policy papers on the requirements for circulars and listing documents and the connected transaction Rules to the Committee for consideration. Some of the issues were raised by the consultant in its strategic review of the Listing Rules and their application.
47. On 18 September 2009, the Exchange published a consultation paper on proposed changes to requirements for circulars and listing documents of listed issuers. The paper sought views on proposals to streamline certain requirements for listed issuers' circulars and listing documents and codify existing practices in applying the Rules. The proposals are intended to make the contents of these documents more relevant for shareholders and to encourage more timely despatch of the documents to the market by eliminating unnecessary restrictions or burdens on issuers. The consultation period ended on 18 November 2009. The consultation conclusions and the Rule amendments are expected to be published in the first half of 2010.
48. On 2 October 2009, the Exchange published a consultation paper on proposed changes to its connected transaction Rules. The paper sought views on proposals to address specific issues in the regulation of connected transactions under the Listing Rules. It includes proposals to review the definition of connected person, provide exemptions for connected transactions which are immaterial or involve persons not in a position to exercise significant influence, and amend the Listing Rules to address technical issues. The consultation period ended on 2 December 2009. The Exchange received a total of 70 submissions.
49. The consultation papers and the respondents' submissions (except for respondents who elected not to have their submissions published) are available on the HKEx website.

## **Phase 2 of New Post-Vetting Regime**

50. The Exchange implemented Phase 1 of post-vetting on 1 January 2009 and stopped pre-vetting some categories of announcements, including those on discloseable transactions and issues of securities. Phase 1 was implemented following market support in the consultation launched in January 2008. The consultation conclusion of the “Combined Consultation Paper on Proposed Changes to the Listing Rules” was published in November 2008.
51. The Exchange’s experience with post-vetting of Phase 1 announcements was positive. Most issuers were able to comply with the Listing Rules when they first announced their transactions under the new regime. At the September 2009 policy meeting, the Listing Committee considered and approved the implementation of Phase 2 of the new vetting regime and the related Rule amendments to cease pre-vetting announcements on major transactions and connected transactions from 1 January 2010. The change in the Exchange’s vetting approach has promoted issuers’ self-compliance with the Listing Rules and facilitated timely dissemination of information to the market. The final phase will be implemented in 2011 to cover all categories of transactions.

## **Review of Debt Listing Regime**

52. At the policy meeting held on 9 November 2009, the Committee considered a strategic review report that compared the debt listing regime in Hong Kong with that of other specialist exchanges. In particular, the professional debt listing regime of the Singapore Exchange was considered with a view to enhancing Hong Kong’s competitiveness as a venue for debt listing. Other house-keeping proposals entailing amendments to the Listing Rules were also considered to streamline the professional debt listing process.
53. The Committee considered that this was primarily a commercial matter that did not raise investor protection concerns and noted the Division’s intention to further develop these proposals through soft consultations with practitioners. The Committee also noted that changes in this area would require amendments to the Listing Rules that would normally require a public consultation to be conducted. However, as these amendments would be targeted at professionals, the Committee considered that a public consultation might not be necessary and the SFC’s views should be sought on this.
54. The Committee also noted that the tax treatment of interest income might be a barrier to the development of the debt market and should be brought to the attention of the HKSAR Government at an appropriate time.

## **Clarification of practices and requirements**

### **Combined Consultation Conclusions on Self-Constructed Assets**

55. On 31 July 2009, the Exchange published its conclusion on Issue 15 of the Combined Consultation Paper which was issued in January 2008. Issue 15 related to the proposal to amend the notifiable transaction Rules to exclude any construction of fixed assets by an issuer for its own use in the ordinary and usual course of its business.
56. A majority of the respondents to the consultation supported the proposal. However, some respondents made substantive comments on the draft Rule amendments, including the definition of “self-constructed assets” and how the aggregation rules would apply to self-construction of assets. Following the consultation period, the Exchange sought further views from some respondents and practitioners on revising the Rule amendments.

57. Having considered the responses, the Listing Committee decided to implement the proposal to exempt self-construction of assets and revise the Rule amendments to address the respondents' comments. The revised Rules disapply the aggregation requirements when an issuer enters into a series of transactions to construct, develop or refurbish an asset for its own use in its ordinary and usual course of business if the sole basis for aggregation is because these transactions form parts of one larger asset.
58. The conclusion on Issue 15 is available on the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/documents/cc200907.pdf>. The revised Rules became effective on 1 September 2009.

### **Collective Investment Schemes under Chapter 20 of the Main Board Listing Rules**

59. The Exchange has received market comments from time to time that the application of the Main Board Listing Rules to the continuing obligations of authorised collective investment schemes is unclear.
60. At a policy meeting held in November 2009, the Committee endorsed a recommendation that there should be no changes to Chapter 20 or to the related listing fees. The Committee also endorsed publication of a letter clarifying the applicability of the requirements in the Rules to collective investment schemes authorised by the SFC.
61. Following the review, a guidance letter was issued on 23 November 2009 to all authorised collective investment scheme operators to clarify that the equity and debt sections of the Listing Rules did not apply to Exchange Traded Funds listed under Chapter 20. The letter was posted on the HKEx website for public reference. An article was also published in the January edition of the HKEx newsletter.

### **Reverse Takeovers (RTOs)**

62. In the November 2009 policy meeting, the Committee considered a paper on backdoor listings and the RTO Rules, including an analysis of recent transactions with characteristics of backdoor listings and some market practitioners' views on backdoor listings expressed in a pre-sounding exercise.
63. The current RTO Rules contain bright line tests which apply to a specific form of reverse takeover. There is also a definition of "reverse takeover" that may apply to a backdoor listing which represents, in the Exchange's opinion, an attempt to list assets/businesses and to circumvent the new listing requirements. Some market practitioners have expressed concern over a lack of clarity in the circumstances when the Exchange might apply the definition and commented on the need for more certainty.
64. The review indicated that the Exchange's RTO Rules are, as written, very similar to those of comparable jurisdictions and are designed to ensure that the initial eligibility requirement cannot be circumvented. In practice, the RTO Rules have been applied only to extreme cases.

65. Some backdoor listing structures may be the result of companies planning around the bright line tests in the RTO Rules. Examples include adopting a convertible bond structure with restrictions on conversions such that the change of control test in the bright line tests would not be triggered, or involving transactions and arrangements over a period, including a series of acquisitions and disposals resulting in a change of business, exiting of existing substantial shareholders and/or acquisitions of de facto control by the incoming shareholders. There is a question whether the insiders and the company have fully disclosed their intention and the company's direction to shareholders at the time of the initial transactions for them to properly assess the proposed transactions, and for the Exchange to consider whether to apply the RTO Rules.
66. The Committee noted that some of the issues on backdoor listings were being addressed through changing the Division's vetting approach, including:
- Improving the disclosure standard for acquisitions that are very material to the listed company or may result in a fundamental change in the company's business. This approach would bring the vetting standard for notifiable transaction circulars in closer alignment with IPOs.
  - Making appropriate enquiries of the company's directors about the company's intention to make significant changes in its business and/or arrangements for potential acquisitions or disposals of assets, and requiring disclosure of the company's intention and direction in the shareholders' circulars. The results of the enquiries would inform the Exchange's application of the RTO Rules, and the disclosure would in part address concerns that shareholders might not be given full information and might not be able to make a reasonable assessment about the prospects and development of the company. Where subsequent actions undertaken by the insiders or the company are found to be contrary to the disclosures made to shareholders and to the Exchange, those cases would represent compliance issues best dealt with through enforcement actions.
67. The Committee agreed that there are investor protection measures that can be and should be taken, such as better disclosure and more vigorous vetting of circulars for notifiable transactions. The Committee also endorsed the Listing Division's effort to provide guidance to the market on the application of the RTO Rules and to bring borderline cases to the Committee for their consideration.

**MEETING STATISTICS AND ACTIVITIES**

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

Nature of Meeting	Number of Meetings		Average Number of Members in Attendance	
	2009	2008	2009	2008
Regular Meetings	45	48	14.5	12.0
Review Meetings (*excluding reviews by Listing Appeals Committee)	5	9	7.0	5.8
Disciplinary Meetings	5	8	7.0	7.0
Quarterly and ad hoc policy meetings	4	7	24.5	20.4
Total	59	72		

## APPROVAL OF NEW LISTING APPLICANTS

69. One of the principal items of business of the Listing Committee's regular meetings is considering whether or not to approve new listing applications. These are considered on the basis of reports from the Listing Division, which include a recommendation on whether or not to approve the listing 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. Statistics in relation to listing applications handled by the Listing Committee are set out in the tables below.

<b>Meetings at which IPO applications were considered</b>	<b>2009</b>	<b>2008</b>
Meetings Within the Regular Schedule	32	46
Specially Convened Meetings	1	0
<b>Listing Applications considered by the Listing Committee</b>	<b>2009</b>	<b>2008</b>
Main Board (see note 1 below)	74	93
GEM	1	4
<b>Total</b>	<b>75</b>	<b>97</b>
<b>Applications Approved</b>		
Main Board	73	89
GEM	1	2
<b>Total</b>	<b>74</b>	<b>91</b>
<b>Decisions Deferred Pending Further Information</b>		
Main Board	1	4
GEM	0	2
<b>Total</b>	<b>1</b>	<b>6</b>
<b>Applications Subsequently Listed to 31st December</b>		
Main Board	58	42
GEM	0	2
<b>Total</b>	<b>58</b>	<b>44</b>

Notes: (1) In 2009 includes a Very Substantial Acquisition and reverse takeover treated as a new listing application. In 2008 includes a Very Substantial Acquisition, Very Substantial Disposal and reverse takeover treated as a new listing application.

## CANCELLATION OF LISTING OF LISTED ISSUERS

70. The power to approve the cancellation of listing of securities (“delisting”) rests with the Listing Committee. Main Board companies may be delisted under the three-stage process set out in Practice Note 17 of the Listing Rules. They may also be delisted pursuant to Chapter 6 of the Main Board Listing Rules. GEM Listing Rules 9.14 to 9.18 deal with the delisting of GEM companies.
71. The Listing Committee’s approval is required to place a Main Board company in the third stage of the delisting procedures according to Practice Note 17 of the Listing Rules, to give a Main Board or GEM company notice of the Exchange’s intention to delist the company, or to cancel the listing of a Main Board or GEM company. The Listing Committee’s decision to delist a Main Board or GEM company may be subject to review by the Listing (Review) Committee and, in turn, also the Listing Appeals Committee.
72. Statistics in relation to delisting matters considered at the Listing Committee’s regular meetings are set out below:

Nature of decision (note 1)	Number of cases	
	2009	2008
<b>Main Board</b>		
Issuers to be placed into third stage of delisting procedures		
– Without issuer having submitted resumption proposal	–	3
– After rejecting resumption proposal as not viable (note 2)	2	–
Issuer to be given notice of intention to delist pursuant to Rule 6.10	–	–
Listing to be cancelled without issuer having submitted resumption proposal (note 3)	–	3
Listing to be cancelled after rejecting resumption proposal submitted as not viable (note 4)	1	–
Trading to be resumed	3	3
<b>GEM</b>		
Issuer to be given notice of intention to delist pursuant to GEM Rule 9.14	–	–
Listing to be cancelled without issuer having submitted resumption proposal	–	–
Listing to be cancelled after rejecting resumption proposal submitted as not viable (note 5)	–	1
Trading to be resumed	1	–

### Notes:

1. Unless otherwise indicated these decisions were not appealed against.
2. One of the decisions in 2009 was appealed against and the review remained outstanding at year end.
3. One of the decisions in 2008 was appealed against. The Listing Appeal Committee decided to allow the company to resume trading under the appeal process in 2009.
4. The decision in 2009 was appealed against and the review remains outstanding at year end.
5. The decision in 2008 was appealed against and upheld on review.



73. During the year, some inactive companies had tried to justify a resumption of trading in their securities based on a trading business. In these cases, the company had ceased to operate all or most of its businesses after suspension of trading and was inactive. The resumption proposal might involve a white knight acquiring the company's control by subscribing a substantial amount of new securities for cash consideration, and reactivating the company by starting a trading business.
74. The Committee was not satisfied that the company had, or would at the time of resumption have, a business of a scale and nature which justify a listing on the Exchange. There was a concern whether these business models were viable or could be sustained in the longer term. In some cases, the company's assets would substantially comprise cash which was far beyond that needed for its present or projected business operations, and a cash company was not regarded as suitable for listing. The Committee also noted that the dilution effect to minority shareholders in some of these proposals would have been material, and any potential gains to the minority shareholders would have been insignificant. The Committee decided to reject these resumption proposals.
75. During the year, the judicial review concerning the delisting procedures was resolved in favour of the Exchange. In its judgment dated 9 July 2009, the Court of Appeal allowed the Exchange's appeal and set aside the judgment given on 4 June 2008<sup>1</sup>. In the reasons for the judgment, Rogers V. P. mentioned that he failed to see how the existence of a benchmark could cause a company to alter important criteria as to its operations. The Listing Appeals Committee was perfectly entitled to make a qualitative decision that the resumption proposal was not credible. Sanyuan's failure to meet even the projected levels given in its proposal aptly demonstrated the inadequacy.
76. Sanyuan applied for leave to appeal to the Court of Final Appeal from the judgment of the Court of Appeal. Both the Court of Appeal and the Court of Final Appeal rejected the leave application on 18 September 2009 and 3 December 2009 respectively. In its written determination dated 3 December 2009, the Court of Final Appeal mentioned that it is for the Exchange, through its committees, to examine the company's proposal and decide whether it is realistic, sustainable and of a scale and nature which justifies permitting resumption of the public listing. It is not the Exchange's role to propose an alternative business plan, or to specify alternative operating, capital or profitability levels to be achieved by the company as the basis for a re-listing. It makes little sense for the Exchange to be required as a matter of law to lay down abstract "benchmarks" or standards not tied to the particular resources of the company and a failure to do so cannot be reasonably be regarded as procedural unfairness. The listing of Sanyuan's shares on the Exchange was cancelled on 24 December 2009.

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<sup>1</sup> In March 2007, Sanyuan Group Limited ("Sanyuan") sought a judicial review of the decisions of each of the Listing Committee, the Listing (Review) Committee and the Listing Appeals Committee to cancel the listing of Sanyuan.

In the judgment dated 4 June 2008, the High Court upheld Sanyuan's application on the following grounds:

- An applicant (such as Sanyuan) for resumption of trading in its shares must be told the financial levels which it must achieve in order to be re-listed. Alternatively, it must at least be given "ballpark" figures. In any event, an objective standard needs to be identified by the Exchange.
- Sanyuan was entitled to have the decision of the Listing Appeals Committee quashed for procedural unfairness and inadequacy of reasons.

On 14 July 2008, the Exchange filed a notice of appeal against this decision.

## OTHER REGULAR BUSINESS

77. At each regular meeting, the Listing Division provides the Listing Committee with information on companies whose shares have been suspended from trading since the last regular meeting of the Listing Committee. Each month, the Listing Committee receives an information paper on companies whose shares have been suspended for a prolonged period. This forms the basis for a monthly update that is published on the HKEx website in respect of long suspended companies.
78. An analysis of other matters considered at regular meetings during the year is set out below:

Nature of decision/advice sought	Number of cases	
	2009	2008
Approval for a voluntary withdrawal of listing (note)	10	7
Requests for pre-application guidance from potential IPO applicants	9	7
Approval for listing of debt securities not delegated to the Head of Listing	2	1
Approval of an issuer of structured products	1	1
Direction of resumption of trading under Rule 6.07	1	–
Eligibility of an individual to be a director	1	–
Eligibility of an entity to be an Independent Financial Adviser	1	–
Determination that a transaction was not a reverse takeover	1	–
Approval of waiver to reduce the public float of an issuer	1	–
Rejection of waiver of placing guidelines in an IPO	1	–
Guidance on connected transaction waiver	1	–
Consideration of proposals for a change in domicile of the issuer	–	1
Consideration of spin-off applications	–	2
Rejection of an application for a review of a decision under Rule 2B.15	–	1
Approval of a waiver to allow a placing of shares to an associate of an existing shareholder in an IPO	–	1
Consenting to a placing of shares to a connected client of a distributor in an IPO	–	1
Guidance on public float in respect of an IPO	–	1
Guidance on whether to permit a connected person to provide underwriting services to an issuer	–	1
Extension of time allowed for appealing against a decision	–	1
Rejection of waiver of Rule 8.06 to extend validity period of accounts in a prospectus	–	1

Note: 2008 includes two cases involving a transfer from GEM to the Main Board. These types of withdrawal are no longer separately considered by the Committee.

## REVIEW MEETINGS

79. The Listing Committee considered five (2008: nine) requests for reviews of decisions made by the Listing Division or Committee during the year, some of which related to decisions that had been made in the previous year. The Listing Appeals Committee considered two (2008: three) requests for reviews. Details of these reviews are set out in the table below.

Appeal Committee	Decision made by	Nature of Decision	Number of Cases	Outcome as at 31 December 2009
Listing Appeals Committee	Listing (Disciplinary Review) Committee	Disciplinary sanction	1	Meeting adjourned
	Listing (Review) Committee	Cancellation of listing	1	Overturned
Listing (Review) Committee	Listing Committee	Determination that an individual was not suitable to be a director	1	Allowed subject to conditions
Listing Committee	Listing Division	Determination that an individual was not suitable to be a director	1	Upheld
	Listing Division	Determination that the prior approval of shareholders was required for a transaction	1	Upheld
	Listing Division	Rejection of Listing application	1	Upheld
	Listing Division	Determination that a transaction was connected	1	Upheld

80. As at 31 December 2009, there were four cases under review as follows:

Appeal Committee	Decision made by	Nature of Decision	Number of Cases
Listing Appeals Committee	Listing (Disciplinary Review) Committee	Disciplinary sanction (note 1)	1
Listing (Review) Committee	Listing Committee	Determination that the prior approval of shareholders was required for a transaction	1
	Listing Committee	Cancellation of listing following the rejection of a resumption proposal	1
	Listing Committee	Placing a company into the third stage of the delisting procedures	1

Note 1: The Listing Appeals Committee met in May 2009 to consider this matter. That meeting was adjourned pending the outcome of legal proceedings being instigated by the SFC.

## DISCIPLINARY MEETINGS

81. Disciplinary matters are generally dealt with at specially convened meetings of the Listing Committee. Written representations are central to the process. A typical case will involve two rounds of written submissions from the Listing Division and from those alleged to have breached the Listing Rules (the listed issuer and/or its directors). At the hearing the Listing 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.
82. The Listing Division has focused its resources on pursuing the most blatant and serious breaches of the Listing Rules with a view to utilising its existing resources to the best regulatory effect. These breaches tend to be cases where some form of public sanction will be sought against the listed company and/or directors. The enforcement strategy of the Exchange towards listed companies and their management is fully explained in both Chinese and English on the Exchange website.
83. The range of sanctions available to the Listing Committee under the existing enforcement regime is limited. The sanctions available are in the main shaming and reputational in character with a major distinction between those with publicity attached and those which remain in the private domain. This must be contrasted with the range of behaviour and conduct and differing roles of individuals who are the subject of disciplinary action. The narrow compass of sanctions available gives rise to considerable challenges in their fair application between the sometimes large number of individuals involved with their differing levels of culpability and an outcome which reflects the expectations of the Exchange and the market from the limited range available.
84. An analysis of the nature of the alleged breaches of the Listing Rules considered at disciplinary and regular meetings is set out below. Some of the cases mentioned have been the subject of a first and then a review hearing by the Listing Committee. Further, some of the outcomes published in 2009 were the subject of meetings which took place in late 2008. In addition, one case already heard by the Listing Committee at both first instance and on review is still the subject of further review proceedings before the Listing Appeals Committee. That case was heard by that body during 2009 but adjourned pending concurrent action by the statutory regulator.
85. During 2009 the Listing Division has referred 4 cases, which may include egregious breaches of the Listing Rules, to the statutory regulator for enforcement action. If appropriate, disciplinary action may be brought before the Listing Committee at the conclusion of any action brought by the statutory regulator in respect of those matters in due course.

86. The Listing Committee has also noted a number of steps taken by the Listing Division in recent years to identify serious breaches of the Rules and dispose of less serious cases earlier by, for example, warning or taking no action if appropriate. These steps taken in line with established criteria published on the Exchange website at <http://www.hkex.com.hk/eng/newsconsul/newsltr/2004/documents/2004-10-02-e.pdf> and with the overall objectives outlined in paragraph 82 above have served to substantially reduce the back-log of cases to be dealt with and the number of cases to be heard this year.

Nature of Alleged Breach of Listing Rules	Meetings	Cases
Misstatement or misleading information in prospectus or announcement	3	2
Failure to disclose price sensitive information, significant advances to entities or discloseable transactions	4	4
Failure to obtain shareholder approval for connected or other transactions	3	3
<b>Total</b>	<b>10</b>	<b>9</b>

Note: For the purposes of the above analysis cases involving more than one alleged breach of the Listing Rules are classified according to the most serious alleged breach of the Listing Rules.

87. An analysis of the outcome of the above cases is set out in the table below.

Outcome	No. of Cases
Public Sanction – published in period	7
Private Sanction – made in period	1
Case adjourned pending concurrent action by the statutory regulator	1
<b>Total</b>	<b>9</b>

88. The collective and individual responsibility of directors for compliance is a cornerstone of the current enforcement regime. This obligation is refined by the application of the personal undertaking given by directors to the Exchange to procure compliance of listed companies with the Listing Rules encompassing due responsibility of ensuring substantive compliance with the Listing Rules and creating the conditions for compliance. Developing the broad enforcement themes mentioned above, action has been taken, where appropriate, against both executive and non-executive members of the board. Table below provides more detail and encompasses the outcomes both public and private action at different levels against all directors who have been involved in disciplinary action before the Listing Committee.

	2006	2007	2008	2009
Number of <b>EDs</b> against whom action was taken as a result of contested or settlement cases	63	48	67	20
Number of <b>NEDs</b> against whom action was taken as a result of contested or settlement cases	2	20	17	10
Number of <b>INEDs</b> against whom action was taken as a result of contested or settlement cases	2	18	26	16
<b>Total</b>	67	86	110	46

89. In addition, ongoing disciplinary actions concern a further 48 directors holding both executive and non-executive office.
90. Further, continuing a theme established in recent years, the Listing Committee has, in addition to imposing public and private sanctions to punish past conduct by listed issuers and their management, deployed its powers to require listed issuers and their management to take remedial action to rectify breaches of the Listing Rules and improve corporate governance. Such directions have, for example, imposed training requirements and an obligation to retain external assistance to create an internal control review.
91. A number of the cases considered by the Listing Committee during the year illustrate the importance of issuers' taking steps to ensure that they have adequate and appropriate systems in place to ensure that they can meet their obligations to report financial information in a timely manner. In addition, certain cases have emphasized the Exchange's views on senior management responsibility with regard to compliance systems.
92. The Exchange continues to expect directors, as senior management, to take responsibility for ensuring that listed companies identify Listing Rules compliance risk, have appropriate systems and controls in place to mitigate these risks and ensure that the systems and controls work in practice. Where deficiencies are uncovered prompt remedial action will be important. Some listed companies expect that when they self-report compliance failings there should be no further regulatory action. Self reporting cannot automatically lead to no sanction but it is a factor we consider, in the context of the facts and circumstances of each case, to mitigate the level of sanction.
93. The following table provides some information on the Listing Committee's work in this direction.

	2006	2007	2008	2009
Number of disciplinary or settlement cases involving an " <b>Internal Control Review</b> " direction	1	3	4	6
Number of disciplinary or settlement cases involving a " <b>Retention of Compliance Adviser</b> " direction	1	4	5	5
Number of disciplinary or settlement cases involving a " <b>Training of Directors</b> " direction	1	7	4	7

94. Some disciplinary matters are dealt with at regular meetings of the Listing Committee when a proposal to settle a disciplinary matter with an agreed sanction is presented to the Listing Committee for endorsement. This approach has been adopted in a number of occasions in recent years and transparency in the process and the factors to be taken into account was the subject of an announcement on 22 June 2007. The rationale for the adoption of this policy, which has been the subject of commentary in earlier years, remains relevant and will not be repeated here. The full text of the announcement can be found on the Exchange website at <http://www.hkex.com.hk/eng/newsconsul/hkexnews/2007/0706222news.htm>. In 2007, eight disciplinary matters were concluded by settlement whereas in 2008 five cases were resolved in this way and three in 2009.
95. In summary, the Listing Committee has and will continue to use the existing limited powers available to it to sanction the conduct of issuers and directors who act in breach of the Listing Rules and also direct remedial and other actions designed to enhance the corporate governance of issuers who have acted in breach of the Listing Rules.



96. The Listing Committee would again take this opportunity to remind directors again that the level of co-operation shown in helping the Exchange to establish the facts during an investigation into suspected breaches is a factor taken into account in deciding what, if any, disciplinary action is appropriate. Directors are required by the terms of their undertaking to the Exchange, to cooperate with the Exchange to facilitate the performance of its regulatory function in responding promptly to enquiries and attending meetings with the Listing Division and the Listing Committee when required. Breach of these obligations may give rise to disciplinary action distinct from the substantive breaches of the Listing Rules suspected.
97. Last year reference was made in our report to three areas where steps were being taken to improve transparency. We comment on each of those three initiatives in turn. First, we would report that the Committee has, as stated last year, taken steps to expand on the information stated in public announcements concluding disciplinary actions. This action has included expanded reasons and more explanation of the actions taken by the Committee. Reference is made in this connection to the announcements made on the Exchange website at <http://www.hkexnews.hk/reports/enforcement/2009.htm>.
98. Secondly, the Listing Committee has noted that there are now 6 announcements on the Exchange website made by the Listing Division requesting the assistance of directors in their enquiries. It is also noted that one director has contacted the Listing Division as a result of an announcement made last year and is now assisting the Listing Division with their enquiries. Reference to that individual has now been removed from the website.
99. Thirdly, the Listing Committee has also noted that building on the initiative launched last year the Listing Enforcement Department has now delivered a total of 14 guidance letters of which 8 have been published on the Exchange website.

## **POLICY DEVELOPMENT**

100. Policy matters are generally dealt with at policy meetings of the Listing Committee as this helps to ensure broad participation from the Listing Committee membership. The Listing Committee aims to hold policy meetings on a quarterly basis. Nonetheless it is sometimes necessary for issues to be considered at regular meetings of the Committee. These items are normally in the nature of reporting back on minor revisions to policy previously agreed at quarterly policy meetings or amendments to the Listing Rules which had previously been approved at quarterly policy meetings that were minor in nature but which, nonetheless, required the Listing Committee's approval. A total of 19 meetings were held during 2009.

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

Date	Items
<b>8th January 2009</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>- Report on the Securities and Futures Commission's 2008 annual review of the Exchange's performance in its regulation of listing matters</li> </ul>
<b>9th February 2009</b> <b>Policy meeting</b>	<ul style="list-style-type: none"> <li>- "Black out" period: consideration of data on directors' dealings, views of the SFC, and outline proposals for to revise the initially proposed changes to the Rules</li> <li>- Report on the Strategic Review of the Listing Rules</li> <li>- Preliminary consideration of possible reforms to the Continuing Disclosure Obligation in the Rules</li> <li>- Consideration of proposals to enhance disclosures by issuers entering into memoranda of understanding or letters of intent</li> <li>- Delegation to Listing Division of authority to approve withdrawals of listing of Structured Products and Company Warrants</li> <li>- 2008 Combined Consultation: Public Float (Issue 5)-review of Listing Division's proposed changes</li> <li>- Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong – update on proposals</li> <li>- Project to explore the feasibility and desirability of establishing a Professional Board for the listing of overseas companies-update and way forward</li> <li>- Corporate Social Responsibility For Listed Issuers-policy direction</li> <li>- 2008 Combined Consultation: Self-constructed fixed assets (Issue 15)-approval of soft consultation on revised proposals</li> <li>- Amendments to the Code of Corporate Governance Practices in respect of Compliance Committee and Company Secretaries-preliminary consideration</li> <li>- Proposals to grant relief to listing applicants from the profit record requirement in the context of the financial crisis – initial consideration</li> <li>- Simplification of Main Board IPO Documentary Requirements – initial consideration</li> <li>- Code on Corporate Governance Practices-Report on implementation and review</li> <li>- Listing Committee Annual Report 2008</li> </ul>
<b>12th February 2009</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>- "Black out" period-approval of revised amendments to the Rules</li> </ul>
<b>19th March 2009</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>- Approval of technical modification in the application of the Rules arising from the suspension of the closing auction session</li> </ul>
<b>2nd April 2009</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>- Approval of amendments to the Listing Rules arising from the suspension of the closing auction session</li> </ul>
<b>23rd April 2009</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>- Proposals to grant relief to listing applicants from the profit record requirement – approval of approach</li> </ul>
<b>18th May 2009</b> <b>Policy meeting</b>	<ul style="list-style-type: none"> <li>- Proposals to grant relief to listing applicants from the profit record requirement – approval of announcement</li> <li>- Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong – update on proposals</li> <li>- 2008 Combined Consultation: Self-constructed assets (Issue 15) – approval of proposed approach following soft consultation</li> <li>- Consultation on Compliance Committee and Company Secretaries – preliminary consideration of consultation materials and approach</li> <li>- Way forward on proposals in the Strategic Review of the Listing Rules in respect of: <ul style="list-style-type: none"> <li>• Regulation of Inactive Companies, Cash Shells and Reverse Takeovers</li> <li>• Connected Transaction Rules</li> <li>• Requirements for Property Valuations</li> <li>• Publication of Price Sensitive Information During Trading Hours</li> </ul> </li> <li>- Quarterly Reporting – review of discussion draft of consultation paper</li> <li>- Listing Rules Chapter 18, Mineral Companies – approval of proposals to conduct a market consultation</li> <li>- Simplification of Main Board IPO Documentary Requirements – preliminary approval of consultation materials</li> <li>- Streamlining of requirements for listed issuers' circulars, listing documents and listing applications – approval of proposals (Note: proposals to streamline listing applications by listed issuers were subsequently combined with proposals in respect of Main Board IPO Documentary Requirements in the Review of Filing and Checklist Requirements for the Listing of Equity Securities.)</li> </ul>

<b>Date</b>	<b>Items</b>
<b>4th June 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Proposals to grant relief to listing applicants from the profit record requirement – approval of revised announcements following comments from SFC</li> </ul>
<b>11th June 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Outline of tentative policy agenda</li> <li>– Review of Filing and Checklist Requirements for the Listing of Equity Securities – approval of consultation paper</li> <li>– 2008 Combined Consultation: Self-constructed assets (Issue 15) – Approval of Consultation Conclusions and Rule amendments</li> </ul>
<b>25th June 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Acceleration of Rights Issues and Open Offers – approval of proposals</li> </ul>
<b>23rd July 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Acceleration of Rights Issues and Open Offers – approval of consultation paper</li> </ul>
<b>17th August 2009</b> Policy meeting	<ul style="list-style-type: none"> <li>– Briefing on steps taken by the Division to streamline the IPO process</li> <li>– Review of compliance with published guidance about disclosures to be made in IPO documents in respect of liquidity, financial resources and capital structure</li> <li>– Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong – update on proposals and approval of Consultation Paper</li> <li>– Consultation on Compliance Committee and Company Secretaries – further consideration of consultation materials and approach</li> <li>– Approval of amendments to the Rules to repeal certain minor fees</li> <li>– Requirements for Property Valuations – approval of soft consultation materials</li> <li>– Listing Rules Chapter 18, Mineral Companies – approval of consultation paper</li> <li>– Connected Transaction Rules – approval of initial draft consultation paper</li> <li>– 2008 Combined Consultation: General Mandates (Issue 11)-Approval of Consultation Conclusions</li> <li>– Endorsement of revised procedures and related FAQ on use of websites for communication with shareholders</li> <li>– Streamlining of requirements for circulars and listing documents of listed issuers – approval of consultation paper</li> </ul>
<b>10th September 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Changes to Filing and Checklist Requirements for Listing of Equity Securities – approval of Consultation Conclusions and Rule amendments</li> </ul>
<b>17th September 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Reduction in pre-vetting activities of issuers’ announcements – Progress report</li> </ul>
<b>24th September 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Connected Transaction Rules – Approval of consultation paper</li> </ul>
<b>9th November 2009</b> Policy meeting	<ul style="list-style-type: none"> <li>– Way forward on proposals in the Strategic Review of the Listing Rules in respect of: <ul style="list-style-type: none"> <li>• Collective Investment Schemes</li> <li>• Investment Companies</li> <li>• Debt Listings</li> </ul> </li> <li>– Acceleration of Rights Issues and Open Offers – approval of Consultation Conclusions and Related Rule amendments</li> <li>– Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong – review of comments received in consultation exercise</li> <li>– Review of soft consultation on Reverse Takeover Rules and report on very substantial acquisitions undertaken by issuers</li> <li>– Regulatory Framework for Pre-Deal Research and the Codification of WPIP-posting Requirement – consideration of joint consultation paper</li> <li>– Quarterly Reporting – review of updated discussion draft of consultation paper</li> </ul>
<b>19th November 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong – conditional approval of Consultation Conclusions</li> <li>– Approval of British Virgin Islands as a recognized overseas jurisdiction</li> </ul>
<b>26th November 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Briefing on the framework proposed to be adopted for statutory backing of the price sensitive information disclosure obligation</li> </ul>
<b>17th December 2009</b> Regular meeting	<ul style="list-style-type: none"> <li>– Report on the Securities and Futures Commission’s 2009 annual review of the Exchange’s performance in its regulation of listing matters</li> </ul>

## **POLICY AGENDA FOR 2010**

102. We highlight below those matters we currently plan to consider during 2010, which are categorised as follows:

### **(I) Enhancement of corporate governance standard of listed issuers and alignment of Hong Kong regulatory regime with international practices**

- Consultation conclusions and Rule changes on Mineral and Exploration Companies
- Consider quarterly financial reporting or possible alternatives
- Safeguards on listing by introduction
- Developing a Corporate Social Responsibility Code for listed companies
- Continue review of role of Company Secretaries
- Corporate Governance Review by Corporate Governance Sub-Committee of the Listing Committee
- Input on Companies Ordinance rewrite

### **(II) Improvement on market efficiency**

- Consultation conclusions and Rule changes on Streamlining of Circular requirements
- Consultation conclusions and Rule changes on Connected Transactions
- Review of initial listing eligibility requirement for the Main Board
- Revisit the Joint Policy Statement with the SFC on listing of overseas companies
- Review of property valuation requirements
- Review of Rule 8.21B of Main Board Listing Rules on Pre-Deal Research
- Review of the debt listing regime
- Input on SFC's prospectus reform proposals
- Reviewing forward looking statements

**(III) Improvement on the quality of information disclosure and transparency of Exchange's practices**

- Consequential amendments to the Listing Rules arising from SFC Structured Products and Selling Practices Consultations
- Consequential amendments to proposed statutory backing on continuing disclosure obligations of the Listing Rules
- Issue of Listing guidance for Mainland audience
- Review of information on “trading screen” and arrangements with vendors

**CONCLUSION**

103. 2009 was another busy year for the Committee. I wish to thank my two deputy chairmen, fellow Committee members and the Listing Division for their continued support and hard work during the past year. I should also like to especially thank Mr Paul Chow for the invaluable support and advice he provided as an ex officio member of the Committee while he was the Chief Executive of HKEx.

104. This report was approved for submission to the boards of the Exchange and HKEx on 11 February 2010.



**Teresa Ko**  
Chairman

## MAIN BOARD AND GEM LISTING COMMITTEE MEMBERS LIST

(As at 31 December 2009)

Chairman  
KO Yuk-yin, Teresa

Deputy Chairmen  
LEE Ka Sze, Carmelo  
MOORE John Douglas

Ex officio member  
CHOW Man Yiu, Paul

Other members (in alphabetical order)

ALLEN Jamie  
BROWN Melissa  
BROWN Stephen James  
BUNKER Robert Edward John  
CHAN Chun Hung, Vincent  
CHEN Yang Chung, Roy  
CHOW Siu Lui, Jack  
FUNG Shing Kwong  
HUNT Stephen Burnau  
JIANG Guorong  
KEYES Terence Francois  
LEUNG Siu Tung, Anthony  
LONGO Joseph Paul  
LOW Chee Keong  
MA Xuezheng, Mary  
NG Kim Guan, Alex  
NG Meng Hua, Daniel  
SCHRANTZ Alexander  
SHIH, Edith  
SOUTAR James Alexander  
SUN Po Yuen, Richard  
WINTER Richard David  
WONG Koon Man, Adrian  
WONG Tin Yau, Kelvin



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