



Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

The Listing Committee Report 2014



CONTENTS

	Page
Foreword	1
Main Issues Arising in the Year	
Consultations	
• Weighted Voting Rights Concept Paper	2
• Consultation Paper on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments	2
• Consultation Paper and Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report	3
• Consultation Conclusions and Rule Changes on Connected Transactions	3
• Consultation Conclusions on Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules	3
Prospectus and Listing Process	
• Implementation Review of Rule Amendments and Procedures to complement the SFC's New Sponsor Regulation	4
• Prospectus Simplification	4
• Review of Listing Process for GEM Applications	5
• The Financial Services Development Council's Report on Positioning Hong Kong as an International IPO Centre of Choice	5
• Cornerstone Investments	6
• Review of Chapter 20 Authorised Collective Investment Schemes' Listing Process	6
Listing Matters	
• Review of Hong Kong Depositary Receipts	6
• Review of Treasury Shares and Block Listing Regime	7
• Pre-IPO Investments and Investments in Listed Companies	7
• Update on Chapter 21: The Listing Regime for Non-SFC Approved Collective Investment Schemes	7

	Page
Ongoing Obligations and Other Related Matters	
• Review of the Requirements for Fairness Opinions prepared by Independent Financial Advisers	8
• Review of Environmental, Social and Governance Reporting Guide	8
• Review of Public Float for A+H Share Companies	9
• Update on Inside Information Regime	9
• Review of Chapters 2A and 2B of the Listing Rules	9
• Suitability of Directors	10
• Guidance on Listed Issuers using Contractual Arrangements for their Businesses	10
• Placing of Warrants using General Mandate	11
 Regular Business	
 Listing Applications	 11
Cancellation of Listing	12
Other Matters	13
 Disciplinary Matters	 14
 Review Meetings	 19
 Policy Agenda for 2015 and Beyond	 21
 Appendices	 22
1 Composition, Role and Operations of Listing Committee Members as at 31 December 2014	
Composition of Listing Committee	
Role of Listing Committee	
Operations of Listing Committee	
2 Policy Development	
3 Meeting Statistics	
4 Attendance at Meetings	

FOREWORD

This report is an account of the work of the Listing Committee¹ of The Stock Exchange of Hong Kong Limited (the “Exchange”) for the year ended 31 December 2014. It highlights the issues the Listing Committee has dealt with during the year which it believes will be of greatest interest to the investing public, practitioners and listed companies, and outlines the position or action the Listing Committee, the Listing Division and the Exchange have taken. It also includes a policy agenda of issues that the Listing Committee anticipates it will discuss in 2015 and beyond.

It has been prepared for the board of the Exchange and the board of its parent company, Hong Kong Exchanges and Clearing Limited (“HKEx”) and was approved for submission to those boards on 26 February 2015. It will be forwarded to the Financial Services and the Treasury Bureau (“FSTB”), the Securities and Futures Commission (“SFC”) and posted on the HKEx website.

2014 was another busy year for the Committee. There were 135 new listings with HK\$228 billion of IPO funds raised necessitating seven additional meetings to consider IPO listing applications. Various sub-committees were formed to consider several important projects (e.g. weighted voting rights, review of the internal control aspect of the Corporate Governance Code; review of the Environmental, Social and Governance Reporting Guide; and review of Chapters 2A and 2B of the Listing Rules (the “Rules”)²) and the work of such sub-committees is exemplary. Our Listing Division has continued to perform well and maintain a very high standard. I wish to thank my two deputy chairmen, fellow Committee members, our Head of Listing David Graham and the Listing Division for their insight, dedication and hard work during the past year.



Carmelo Lee
Chairman

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

² The Rules comprise the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Main Board Rules”) and Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Rules”). Rule references in this report are to the Main Board Rules unless otherwise specified.

MAIN ISSUES ARISING IN THE YEAR

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

CONSULTATIONS

Weighted Voting Rights Concept Paper

2. The Exchange published a Concept Paper on Weighted Voting Rights in August 2014. The concept paper sought views on whether governance structures that give certain persons voting power or other related rights disproportionate to their shareholding (weighted voting right structures) should be permissible for companies listed or seeking to list on the Exchange's markets.
3. Subject to comments and views elicited by the concept paper, the Exchange anticipates the paper may lead to one of the following outcomes:
 - a conclusion that no amendment to the Listing Rules to allow companies to use weighted voting right structures is appropriate at this time and that current practice is supported. In this case, the Exchange would publish conclusions explaining the reasons for any such outcome; or
 - support for a material change to the Listing Rules on the acceptability of weighted voting right structures. In these circumstances, the Exchange would again publish conclusions. Any change to the Listing Rules would require a second stage formal consultation process including consultation on the details of the scope and language of any proposed Listing Rule changes.
4. The consultation period closed on 30 November 2014 and the Exchange is considering the responses received.
5. The concept paper is available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2014082.pdf>.

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

6. The Exchange published a consultation paper in August 2014 on the proposed amendments to the Listing Rules due to the Exchange's review of the requirements on the disclosure of financial information in Main Board Rules Appendix 16 and GEM Rules equivalent with reference to the new Companies Ordinance (Cap. 622) and Hong Kong Financial Reporting Standards.
7. This paper also sought views on proposed Rule amendments unrelated to financial disclosure requirements that are consequential to the enactment of the new Companies Ordinance. In addition, the paper discussed several proposed Rule amendments relating to minor policy issues and a number of proposed housekeeping Rule amendments that involved no change in policy direction.

8. The consultation period closed on 24 October 2014. The Exchange received a total of 55 responses from listed issuers, professional and industry associations, market practitioners, individuals and other entities. The consultation proposals were supported by a large majority of the respondents.
9. The consultation paper is available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201408.pdf>. The Exchange plans to publish the consultation conclusions and related Rule amendments in the first quarter of 2015.

Consultation Paper and Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report

10. The Exchange published a consultation paper in June 2014 to seek comments on its proposed amendments to the Corporate Governance Code and Corporate Governance Report (the “Code”) relating to internal controls. The consultation period closed on 31 August 2014. The Exchange received a total of 57 responses from listed issuers, professional and industry associations, market practitioners, individuals and other entities. The consultation proposals received strong support from a large majority of the respondents. The consultation conclusions were published on 19 December 2014 with the amendments to the Code applicable to accounting periods beginning on or after 1 January 2016.
11. The consultation paper and consultation conclusions are available, respectively, on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201406.pdf> and <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201406cc.pdf>, along with copies of respondents’ submissions at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/responses/cp201406r.htm>.

Consultation Conclusions and Rule Changes on Connected Transactions

12. In March 2014, the Exchange published its consultation conclusions on the results of the consultation on a number of proposals to refine the scope of connected persons and connected transactions, fine-tune the framework for continuing connected transactions and improve the clarity of the connected transaction Rules. The proposals received support from a large majority of respondents and the Rule amendments took effect from 1 July 2014.
13. The consultation conclusions are available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201304cc.pdf>.

Consultation Conclusions on Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules

14. In March 2014, the Exchange published consultation conclusions to present the results of the consultation on proposed changes to align the definitions of “connected person” and “associate” in the Rules. The consultation proposals were supported by a large majority of respondents and the Rule amendments took effect from 1 July 2014.
15. The consultation conclusions are available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2013042cc.pdf>.

PROSPECTUS AND LISTING PROCESS

Implementation Review of Rule Amendments and Procedures to complement the SFC's New Sponsor Regulation

16. One year after the implementation of the SFC's new sponsor regulation, the Committee considered at the November 2014 policy meeting an overview of listing application filings and the listing process under the new regime from 1 October 2013 to 30 September 2014. The Committee noted the Division's findings that documents submitted to the Exchange for vetting were more comprehensive and complete than those submitted during the previous corresponding period, indicating that the Exchange's guidance letters and listing decisions had generally been adopted in the preparation of listing documents. Also, market practitioners were becoming more familiar with the new sponsor regulation³ and implementation of the requirement to publish application proofs⁴ on the HKEx website went smoothly. The Committee also noted that the Division's high level review and commenting process and procedure under the new sponsor regulation had worked well with a reduced number of comments made on applications, and that there is good coordination between the SFC and the Division.
17. The Exchange has commenced its initiative to further enhance the display of the application proofs and post hearing information packs' webpage to better facilitate public search of the relevant documents.
18. Currently, confidential filings of application proofs are restricted to overseas issuers that meet specific requirements in the Listing Rules. There have been a few requests that the scope of confidential filings be broadened to include more issuers. The Exchange considered and concluded that there is currently no sufficient basis for extending the scope of confidential filings.
19. The Exchange noted there had been market comments that some newly listed issuers were of poor quality because they published profit warning announcements shortly after listing. However, the decline in profit in most of these cases was attributable to reasons (mainly the incurrence of listing expenses) which were already included in the issuers' listing documents. The Exchange considered that in such cases, profit warning announcements were unnecessary as full disclosure had been made in the listing documents.

Prospectus Simplification

20. Further to the listing document simplification initiative reported in the 2013 Listing Committee Report, the Committee considered a paper on prospectus simplification at the August 2014 policy meeting. The Committee endorsed the Division's recommendation to publish a simplification guide to assist market practitioners.
21. The Committee also endorsed the Division's proposals to: (a) review ways to encourage issuers to use mixed-media in their offerings, an initiative which was introduced in February 2011 but has experienced low take-up; and (b) work with the SFC on using "incorporation by reference" in listing documents to reduce the length of listing documents and adopt a more international practice.

³ This was evidenced by the decrease in the number of return cases during the second half of the review period, and reduced average time taken to process an application to proceed to a Committee hearing.

⁴ The first draft listing document.

Review of Listing Process for GEM Applications

22. Since the delegation of power to approve GEM listing applications by the Committee to the Division had been in operation for around six years, and given the new sponsor regime, the Committee considered a paper on the review of the listing process for GEM applications at the May 2014 policy meeting. The paper included: (a) a review of the delegated approval process; (b) some salient vetting and listing statistics; (c) the post-listing performance of GEM applications; (d) general observations on GEM applications received between 1 January 2013 and 30 June 2014; and (e) issues identified by the Division when vetting GEM applications. Based on the information presented by the Division, the Committee considered it unnecessary to change the current delegation of the GEM listing approval to the Division. However, the Committee requested the Division to provide, in its future periodic report on GEM, a description of the types of issues the Division faced during the vetting of GEM applications. The Committee also considered that the new sponsor regime should be allowed to operate for a period of time before considering the delegated approval process further.
23. At the November 2014 policy meeting, the Committee considered a periodic report on the Division's exercise of the authority to approve GEM applications delegated by the Committee, as required under the GEM listing approval procedures. As a follow-up to the May 2014 policy meeting, the report also discussed some of the major issues relating to GEM applicants, including: (a) applicants with problematic business models; (b) applicants in high risk businesses; and (c) eligibility concerns due to material non-compliance incidents.
24. The Committee also reconsidered the delegation of the GEM listing approval and expressed support for reviewing the delegation in due course. In this context, the Committee requested that GEM cases involving more complex issues, as well as cases where the applicant meets the criteria for listing on the Main Board but seeks a listing on GEM, should be brought to the Committee for guidance.

The Financial Services Development Council's Report on Positioning Hong Kong as an International IPO Centre of Choice

25. The Financial Services Development Council ("FSDC") issued a report in June 2014 entitled "Positioning Hong Kong as an International IPO Centre of Choice" ("FSDC Report"). At the August 2014 policy meeting, the Committee considered the Division's proposed way forward on the relevant recommendations set out in the FSDC Report including public filing safe harbours, price adjustment mechanism, regulation of cornerstone investors, guidance on placing and allocation, market segmentation and developing a hub for specific industries.
26. The Committee endorsed the Division's recommended short term goals as follows:
 - (a) Public filing safe harbours – to review the public filing safe harbours and the Exchange's approach to waivers and modifications as part of the review of the Rule amendments and procedures to complement the SFC's new sponsor regime and the regime applicable to the listing of overseas companies (see paragraph 18 above).
 - (b) Cumbersome price adjustment mechanism – to conduct further research and present a policy paper to the Committee in the future.
 - (c) Under-regulation of cornerstone investments – to prepare an information paper on cornerstone investors (see paragraphs 28 and 29 below).

- (d) Inadequate guidance on placing and allocation – to work with the SFC on the placee list requirements, review the placing guidelines and consider codifying the Exchange’s existing practice in 2015.
27. In the longer term, the Exchange will conduct a holistic review of the overall pricing and allocation mechanism for Hong Kong IPOs which will include a review of the retail clawback mechanism and settlement cycle. The Committee considered that the review relating to market segmentation and developing a hub for specific industries should be accorded a low priority.

Cornerstone Investments

28. At the August 2014 policy meeting, the Committee considered a paper on the impact of cornerstone investments on the Hong Kong IPO market. The Committee noted there were market concerns that cornerstone investments: (a) narrow the shareholder base of an issuer; (b) reduce free float and liquidity of shares during the lock-up period; (c) distort the price discovery process and, as a result, true demand for certain companies; and (d) cause negative stock price performance on the first day of trading and upon the expiration of the lock-up period. Further, there were concerns that underwriters’ participation and remuneration tend to be tied to the number of cornerstone investors introduced to an issuer, and that cornerstone investments result in unfair treatment between investors. However, the Committee noted that the initial findings of the Division indicated there was little empirical support for most of these concerns.
29. The Committee considered the Division’s proposals for alleviating some of the concerns regarding illiquidity and share overhang post lock-up, such as limiting the amount/percentage of investment by cornerstone investors in an IPO and a staggered release of the cornerstone investors’ locked-up shares. The Committee did not consider a staggered release to be an appropriate approach and requested that the Division undertake further research on the effects of cornerstone investments on IPOs so that the Committee could further consider whether regulations in this respect should be introduced.

Review of Chapter 20 Authorised Collective Investment Schemes’ Listing Process

30. At the May 2014 policy meeting, the Committee reviewed the Division’s proposals to streamline the vetting process for Chapter 20 listing applicants (i.e. collective investment schemes (“CIS”) authorised by the SFC). The proposals were administrative and explanatory in nature. The Committee approved, among other things, the amendments to Chapter 20, which clarified the eligibility of a listing agent and the procedures for the listing of additional interests in a closed-end CIS after listing.

LISTING MATTERS

Review of Hong Kong Depositary Receipts

31. At the May 2014 policy meeting, the Committee considered a paper on the current Hong Kong depositary receipts (“DR”) regime with a view to attracting overseas companies to list in Hong Kong. The Committee considered some suggestions for change put forward by market practitioners, such as introducing a professional board, exploring if a DR listing can raise offshore RMB and implementing measures to improve DR liquidity, amongst others. The Committee endorsed the Division’s position that the DR regime can only be improved when the Exchange undertakes a holistic review of the regime for listing overseas companies.

Review of Treasury Shares and Block Listing Regime

32. In the 2013 Listing Committee Report, it was reported that at the October 2013 policy meeting, the Committee endorsed the Division's recommendation to explore the feasibility of allowing overseas issuers to hold treasury shares and examine a block listing arrangement to expedite the re-issue of shares that had been repurchased and cancelled by issuers that were prohibited from holding treasury shares under their local laws.
33. At the November 2014 policy meeting, the Division presented a paper on the proposals to introduce treasury shares and block listing to the Committee for its consideration. While the Committee generally agreed that there were merits in allowing issuers to hold treasury shares, some members expressed concerns about the potential adverse impact of treasury shares on investors and the increased risk of market manipulation. The Committee asked the Division to conduct further study and discuss the proposals with market practitioners.

Pre-IPO Investments and Investments in Listed Companies

34. At the February 2014 policy meeting, the Committee considered a paper on pre-IPO and post-IPO investments recommending that, in principle, the approaches to certain special rights⁵ granted in pre-IPO and post-IPO investments should conform with one another. This would be achieved by allowing special rights which are permissible in post-IPO investments to also be permissible in pre-IPO Investments. Although the Committee agreed in principle with the recommendation that the treatment of special rights in pre-IPO and post-IPO investments should be aligned where appropriate, it requested that further information on the Division's past practices on such special rights be provided for further consideration.
35. At the November 2014 policy meeting, the Committee considered a paper on the Division's past practices in relation to pre-IPO and post-IPO investments. Due to the different stages that a company goes through (i.e., in its transition from private company to listed company), the Committee concluded that there would inevitably be different rights afforded to shareholders at the pre-IPO stage, and as such the treatment of all special rights could not be aligned. Although the Committee considered that no changes should be made to the existing practices and procedures, it endorsed the Division's proposals to: (a) clarify that transfers of pre-IPO investments fell under the pre-IPO interim guidance (HKEx-GL43-12); and (b) clarify the treatment of a pre-IPO investor's contractual right to compensation where a qualifying IPO was not achieved by an applicant.

Update on Chapter 21: The Listing Regime for Non-SFC Approved Collective Investment Schemes

36. At the November 2014 policy meeting, the Committee considered a paper on the listing regime for non-SFC approved collective investment schemes ("Chapter 21 companies"). The paper reviewed the current status and nature of Chapter 21 companies and criticisms of the existing regime made by market practitioners and commentators. The Committee considered the following options: (a) re-position the regime to provide an avenue for "technical listings"; (b) reform the regime to attract alternative investment company listings; (c) address the criticisms of the regime without re-positioning it; or (d) maintain the status quo.

⁵ The special rights highlighted were the right to nominate or appoint directors, anti-dilution rights, information rights and observer rights.

37. The Committee broadly agreed to maintain the status quo. The Committee was also of the view that the requirement to place to a minimum of 300 shareholders should be reviewed and any Hong Kong Government proposals to support the fund management industry should be monitored.

ONGOING OBLIGATIONS AND OTHER RELATED MATTERS

Review of the Requirements for Fairness Opinions prepared by Independent Financial Advisers

38. At the February 2014 policy meeting, the Committee considered the results of the Division's discussions with stakeholders on certain issues in relation to independent financial adviser ("IFA") requirements and practices, including the independence of IFAs, the quality and content of IFA letters, and their usefulness to readers in certain circumstances.
39. The Committee agreed that IFAs play a role in providing independent advice to independent directors and shareholders and that the IFA regime should be retained. While the Committee did not consider it necessary to change the Rules in this area, it endorsed the Division's recommendation to issue a guidance letter on the standard of IFA work, and the respective roles and responsibilities of independent board committees and issuers in the engagement of IFAs and preparation of IFA letters. Guidance Letter HKEx-GL76-14 was published in May 2014 accordingly.

Review of Environmental, Social and Governance Reporting Guide

40. The Environmental, Social and Governance Reporting Guide ("ESG Guide" or "Guide") came into effect on a voluntary basis for issuers' 2013 reporting year. This followed from the publication in December 2011 of the consultation paper introducing the Guide and the resulting consultation conclusions in August 2012. At the November 2014 policy meeting, the Committee reviewed the preliminary analysis done by the Listing Division in relation to the ESG Guide. The Committee noted the work done by the Division to encourage issuers to begin reporting on ESG, such as organising training events to familiarise issuers with the benefits of ESG reporting, posting training webcasts and other materials on the HKEx website, and carrying out a survey to gauge the extent to which issuers were reporting.
41. The Committee also noted recent regulatory developments in Hong Kong and overseas that indicate ESG reporting is growing in importance. Most notably, the implementation of the Companies Ordinance (Cap.622) in March 2014 has made it mandatory for all Hong Kong incorporated companies to report on their environmental policies and performance, compliance with relevant laws and regulations, and key stakeholder relationships in their annual directors' reports, unless exempted. The Committee further noted that proposed consequential amendments to Main Board Appendix 16⁶ would make this requirement mandatory for all Hong Kong listed issuers.
42. The Committee considered the appropriate way forward and agreed to form a sub-committee with a view to developing a consultation paper on proposed amendments to the ESG Guide.

⁶ See the Consultation Paper on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments, available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201408.pdf>.

Review of Public Float for A+H Share Companies

43. At the February 2014 policy meeting, the Committee considered an analysis of previous public float waivers granted to A+H share companies with a view to providing guidance on the criteria for granting such waivers. The Committee noted that there did not appear to be general demand from the market for the issuance of such guidance on public float waivers. The Committee decided that applications for waivers should therefore continue to be dealt with on the current case by case basis having regard to the facts and circumstances of each case.

Update on Inside Information Regime

44. In March 2014, the Committee considered a paper on the implementation of the inside information regime, which became effective on 1 January 2013. The Committee noted that the implementation had proceeded smoothly. Issuers generally took a more cautious approach in assessing their disclosure obligations and, as a result, there was an increase in inside information announcements and trading updates published in 2013. The review also identified areas where disclosure could be improved. The Exchange provided guidance in these areas through issuers' seminars conducted in April and May 2014.

Review of Chapters 2A and 2B of the Listing Rules

45. In the 2013 Listing Committee Report, it was reported that the Listing Division was to conduct further study, seek further legal advice and report back on the review of disciplinary sanctions available to the Listing Committee in exercise of its disciplinary power under Chapter 2A of the Listing Rules. At the May 2014 policy meeting, the Committee also considered the Listing Division's proposal to proceed with the review of various issues and Rules relating to corporate finance review hearings of the Exchange set out in Chapter 2B of the Listing Rules with a view to streamlining the review process.
46. Having considered the matters, the Committee agreed that the Listing Division should carry out a consolidated review of the issues identified in Chapter 2B as well as the disciplinary powers and sanctions under Chapter 2A. The scope of the review shall include:
- the parties against whom the Exchange may exercise its disciplinary powers;
 - the current range of sanctions under the Listing Rules and the feasibility of introducing other sanctions into our disciplinary regime;
 - the structure and composition of the decision making bodies and the levels of review; and
 - the issues relating to the procedures for Listing Committee review hearings.
47. The Committee has formed a sub-committee to steer the development of the review.

Suitability of Directors

48. At a regular meeting in December 2013, the Committee requested the Division to carry out a review of the Exchange’s approach in dealing with directors’ suitability issues in the context of IPOs and listed companies.
49. At the August 2014 policy meeting, the Committee discussed the approach that the Exchange should take in considering directors’ suitability, in particular in respect of the following areas, so that guidelines on how the Division should deal with directors’ suitability issues in the context of IPOs and listed companies could be established:
- character and integrity and duties to act honestly, in good faith and for a proper purpose;
 - competence and duties of skills, care and diligence;
 - prosecutions, investigations and allegations;
 - age of the wrongdoing; and
 - the approach to “shadow directors”.
50. In summary, the Committee:
- considered that the criteria and standards for assessing directors’ suitability should, in principle, be the same for IPO applicants and listed issuers, although it was also necessary to recognise that there were different enforcement options for applicants and issuers. The Committee was of the view that a person who was already a director of a listed issuer would not necessarily be suitable to act as a director of a new applicant; suitability cases involving such circumstances should be brought to the Committee so that the proposed course of action could be considered and determined;
 - commented that the term “shadow director” should be replaced with the term “person with substantial influence” to avoid confusion with the legal concept of shadow directors under the Companies Ordinance (Cap.622); and
 - indicated that the Listing Division should provide to the Committee precedents and details of prior conduct where it was being called upon to make decisions on directors’ suitability.

Guidance on Listed Issuers using Contractual Arrangements for their Businesses

51. At the February 2014 policy meeting, the Committee considered a draft guidance letter on the use of contract-based arrangements or structures (“Contractual Arrangements” or “Structured Contracts”) after listing. The letter provides guidance on the actions and disclosure required where a listed issuer conducts a notifiable and/or connected transaction involving a business using Contractual Arrangements.⁷ It also sets out the recommended disclosure in annual reports. The Committee considered the draft guidance letter further in April 2014 and endorsed its publication. The letter (HKEx-GL77-14) was published in May 2014.

⁷ The guidance letter follows the guidance in Listing Decision HKEx-LD43-3, which provides guidance to new listing applicants using Contractual Arrangements for their businesses.

Placing of Warrants using General Mandate

52. At the August 2014 policy meeting, the Committee considered a paper on the review of placings of warrants by issuers at a nominal price using general mandates. During the review period, there was an increase in the number of issuers undertaking this type of securities issue (from 17 in 2009, to 41 in 2013, and 12 in the first 4 months of 2014). There was a concern about unfair dilution of shareholders' interests as the warrants were not properly priced. The commercial rationale for these placings (i.e. for raising funds) was also questionable given that the proceeds from the initial warrant subscription were minimal. The Committee noted the possible abuse of this type of securities issue by individual issuers and asked the Division to bring future cases to the Committee for consideration.

REGULAR BUSINESS

LISTING APPLICATIONS

53. 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	2014	2013
Meetings within the Regular Schedule	39	37
Specially Convened Meetings	7	5

Listing Applications considered by the Listing Committee	2014	2013
Applications Considered (note 1)	92	106
Applications Approved (note 2)	91	101
Applications Rejected	Nil	3
Decisions Deferred Pending Further Information	1	2
Applications Approved and Listed in the Year	91	81
Applications Approved in Previous Year and Listed in the Year	12	6
Applications Listed in the Year	103	87

Notes:

- 1 In 2014 includes three (2013: two) very substantial acquisitions and reverse takeovers treated as new listing applications.
- 2 In 2014 includes three applications approved at the second hearing and one application approved at the third hearing. In 2013 includes seven applications approved at the second hearing including one that was rejected at the first hearing.

CANCELLATION OF LISTING

54. 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	
	2014	2013
Main Board		
Companies to be placed into third stage of delisting procedures after rejecting resumption proposal as not viable	–	1
Resumption proposals ruled as reverse takeover	–	2
Listing to be cancelled		
– Without company having submitted resumption proposal	–	1
– Without company having submitted new listing application for resumption proposal ruled as reverse takeover (note 2)	1	–
– After rejecting resumption proposal as not viable (note 3)	1	1
Trading to be resumed	1	2
GEM		
Company to be given notice of intention to delist under GEM Rule 9.14	1	1
Resumption proposals ruled as reverse takeover	1	–
Listing to be cancelled after rejecting resumption proposal as not viable	–	1
Company requested to provide additional information to support resumption proposal	–	1
Trading to be resumed	–	1

Notes:

- 1 Unless otherwise indicated these decisions were not appealed.
- 2 The decision in 2014 was appealed and the Listing (Review) Committee decided to allow additional time for the company to submit a new listing application.
- 3 The decision in 2014 was appealed and was upheld by the Listing (Review) Committee. The case will be heard by the Listing Appeals Committee in 2015.

55. In 2014, the Listing Committee exercised its power under Rule 6.07 to direct the trading resumption of a long suspended company's shares. While trading in the company's shares was initially suspended due to a PRC regulatory investigation involving its director and controlling shareholder, the company subsequently announced information available to it regarding the investigation, its assessment of the impact of the investigation on the group and its financial results. The company requested to remain suspended in view of the ongoing investigation and pending negotiations with banks on its credit facilities.
56. The company did not have unpublished information constituting inside information. The Listing Committee considered that as the company had announced all available information regarding the investigation and its financial position, it was not appropriate to continue with the trading suspension pending future development in the investigation. A trading suspension beyond such period as is absolutely necessary denies reasonable access to the market, and should not be used as a means to facilitate negotiations of the company's credit facilities.

57. The Listing Committee's decision was appealed and upheld by the Listing (Review) Committee and the Listing Appeals Committee.

OTHER MATTERS

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

Nature of decision/advice sought	Number of cases	
	2014	2013
Approval of voluntary withdrawal of listing (note 1)	12	7
Requests for pre-application guidance from potential IPO applicants (note 2)	4	11
Determination that a transaction was not a reverse takeover	3	3
Approval of waiver from providing an assured entitlement in a spin off	2	3
Approval of waiver to reduce public float of an issuer	2	1
Extend deadlines in connection with a resumption proposal	1	2
Consideration of listing eligibility requirements for a GEM applicant	1	1
Waiver of Rule 8.05(1)(c) in connection with a very substantial acquisition treated as a new listing	1	–
Waiver of Rule 13.36(1) in connection with issue of convertible securities	1	–
Guidance on issue of convertible securities (note 3)	1	–
Guidance on whether a proposed transaction would result in a company having insufficient assets and operations to warrant continued listing	1	–
Direct a resumption of trading in an issuer's securities	1	–
Approval of resumption proposal	–	2
Approval of an issuer of structured products	–	1
Conditional approval for placings to a connected client of a sponsor	–	1
Determination that a transaction was a reverse takeover	–	1
Approval of waiver from requirement to cancel repurchased shares	–	1
Consideration of spin off proposal	–	1
Consideration of issues arising from an issuer's withdrawal of an overseas listing	–	1
Consideration of individuals' suitability to be directors	–	1

Notes:

- 1 2014 and 2013 each include four ETFs and one debt security.
 2 2014 includes one case considered twice (2013: two cases considered twice).
 3 Case considered twice.

DISCIPLINARY MATTERS

59. During 2014, a number of investigations arising from breaches of the Listing Rules were completed by the Listing Division. The average time for completion of an investigation (at which point in time the decision as to the level of regulatory action (if any) is made) was 9.9 months for cases in which investigation was completed in 2014.
60. Where conduct of listed companies and their management is identified by the Listing Division which gives rise to suspected breaches of the law, it is referred to the SFC and other law enforcement agencies (e.g. ICAC and the Commercial Crime Bureau of the Hong Kong Police) as appropriate. The Listing Division liaises with them on an ongoing basis as a case proceeds and provides materials, including documents/information and witness statements (covering, among other things, technical advice on the application of the Listing Rules), to support any prosecution which may be brought as a result. During 2014, the Division provided continuing support to the SFC and other law enforcement agencies by dealing with 42 requests for documents/information and providing 10 witness statements.
61. As in previous years, the Listing Division has continued to focus 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. A more detailed explanation of the approach as well as the decision-making process for the enforcement of the Listing Rules can be found in the Enforcement Statement published in both Chinese and English on the HKEx website (at http://www.hkex.com.hk/eng/rulesreg/listrules/guidref/Documents/enfs_0913.pdf) on 13 September 2013.
62. The Disciplinary Procedures are also published on the HKEx website (at http://www.hkex.com.hk/eng/rulesreg/listrules/listdisciplinarypro/documents/dis_0913.pdf). These were revised on 13 September 2013. Eleven disciplinary actions have been taken under the new procedures and the Division is conducting a review and will report to the Listing Committee in 2015.
63. An analysis of the nature of the alleged breaches of the Listing Rules considered by the Listing Committee (whether in the disciplinary actions or by way of approved settlement) and concluded in the year is set out below.

Nature of Alleged Breach of Listing Rules	Meetings	Cases
Failure to disclose price sensitive information	5	5
Failure to obtain shareholder approval for material variation of the terms of a very substantial acquisition previously approved by shareholders	1	1
Total	6	6

64. For the purposes of the above analysis, cases involving more than one alleged breach of the Listing Rules are classified according to the most serious allegation.
65. The Listing Committee notes that the disciplinary cases heard in recent years included cases which involved multiple breaches of different nature committed by issuers and their directors. For example, one case heard in 2014 involved a substantive breach of the Rules by the issuer and breaches by several directors of their undertakings and duties, as well as a failure by two of the directors to co-operate in the Listing Division's investigation.

66. Six hearings, all first instance hearings, took place during the year. Five of these cases were concluded in 2014, with one ongoing as at the end of 2014. Three additional disciplinary cases remained ongoing as at the end of 2014.
67. An analysis of the outcome of the disciplinary cases concluded in the year (including one hearing which took place in December 2013 but which was concluded only in 2014 with publication of a public sanction announcement) is set out in the table below.

Outcome	No. of Cases
Public Sanction	5
Private Sanction	0
No Sanction	1
Total	6

68. The range of sanctions available to the Listing Committee under the existing enforcement regime is limited. The sanctions available are primarily shaming and reputational in character, with a major distinction between those with publicity attached and those which remain in the private domain. This must be contrasted with the range of behaviour and conduct and differing roles of individuals who are the subject of disciplinary action. The narrow compass of sanctions available gives rise to considerable challenges in their fair application between the sometimes large number of individuals involved with their differing levels of culpability and an outcome which reflects the expectations of the Exchange and the market. The Listing Committee is aware of possible shortcomings in the current regime and is actively conducting a review of the disciplinary structure and sanctions to which further reference will be made below (see paragraph 83).
69. The collective and individual responsibility of directors for compliance remains a cornerstone of the current enforcement regime. This obligation is refined by the application of the personal undertaking given by directors to the Exchange to procure Listing Rule compliance by listed issuers, encompassing due responsibility to ensure substantive compliance with the Listing Rules and create the conditions for compliance. In view of the broad enforcement themes mentioned in paragraph 79 below, action has been taken where appropriate against both executive and non-executive members of the board. The table below provides more detail and encompasses the outcomes of both public and private action at different levels against all directors who have been involved in disciplinary action before the Listing Committee.

	2014	2013	2012
Number of EDs against whom action was taken as a result of contested or settlement cases	20	35	37
Number of NEDs against whom action was taken as a result of contested or settlement cases	2	3	12
Number of INEDs against whom action was taken as a result of contested or settlement cases	17	19	17
Total	39	57	66

70. In addition, ongoing disciplinary actions concern a further 29 directors holding either executive or non-executive office.

71. In addition to imposing public and private sanctions to punish past conduct by listed issuers and their management, the Listing Committee has deployed its powers to require listed issuers and their management to take remedial action to rectify breaches of the Listing Rules and improve corporate governance. Such directions have, for example, imposed training requirements and an obligation to retain external assistance to create an internal control function. The following table provides some information on the Listing Committee’s work in this respect.

	2014	2013	2012
Number of disciplinary or settlement cases resulting in an “Internal Control Review” direction	1	6	4
Number of disciplinary or settlement cases resulting in a “Retention of Compliance Adviser” direction	5	7	7
Number of disciplinary or settlement cases resulting in a “Training of Directors” direction	5	8	10

72. A number of the cases considered by the Listing Committee during the year once again illustrate the importance of: (a) taking steps to ensure that issuers have adequate and appropriate systems in place; and (b) directors having proper understanding of the Listing Rule requirements to ensure that the issuers can meet their compliance obligations so that investors and the public are kept fully informed by issuers of material factors which might affect their interests and decisions. In addition, some cases have emphasised the Exchange’s views on senior management’s responsibility with regard to the creation and maintenance of compliance systems, and the performance by directors of their duties in attending to the affairs and business operations of listed issuers in compliance with the Listing Rule requirements.

73. The Exchange continues to expect directors, as senior management, to take responsibility for ensuring that listed issuers identify Listing Rule compliance risk, have appropriate systems and controls in place to mitigate these risks and ensure that the systems and controls work in practice. Where deficiencies are uncovered, prompt remedial action will be important. Some listed issuers expect that when they self-report compliance failings there should be no further regulatory action. Self-reporting cannot automatically lead to an exemption from sanction but, as in the past, it is a factor the Listing Committee considers, in the context of the facts and circumstances of each case, to mitigate the level of sanction.

74. The Listing Committee has also noted that the Listing Division has continued to dispose of less serious cases earlier by, for example, warning, cautioning or deciding to take no action, if appropriate. These steps, taken in line with established criteria published on the HKEx website and with the overall objectives outlined in the Enforcement Statement published on 13 September 2013 (see paragraph 61 above), have once again served to substantially reduce the back-log of cases to be dealt with and the number of cases to be heard this year.

75. As referred to in Appendix 1, paragraph 12 to this report, some disciplinary matters are disposed of by settlement as approved by the Listing Committee. The new disciplinary procedures referred to in paragraph 62 above include procedures for resolution of disciplinary business by agreement. This settlement approach has been adopted in a number of occasions in recent years and transparency in the process and the factors to be taken into account was the subject of an announcement on 22 June 2007. The rationale for the adoption of this policy, which has been the subject of commentary in earlier years, remains relevant and will not be repeated here. The full announcement can be found at <http://www.hkex.com.hk/eng/newsconsul/hkexnews/2007/0706222news.htm>.
76. Provided the terms of the settlement represent a fair overall regulatory outcome and treatment of the conduct giving rise to regulatory concern and achieve the Exchange's regulatory objectives, the Listing Committee continues to welcome the efforts made by market users and the Listing Division to bring about the settlement and agreed disposal of disciplinary matters. Two disciplinary matters (representing 33% of actions disposed of this year) were concluded by settlement.
77. With the implementation in January 2013 of the statutory backing of the continuous obligation on listed issuers to disclose inside information, responsibility for the enforcement of that obligation passed to the SFC. For some years, the Exchange has put considerable effort into the enforcement of this obligation with the objective of raising market awareness and improving corporate performance in this area. While disciplinary actions continued in 2014 in respect of breaches of this obligation arising before implementation of the inside information disclosure regime, the change has given rise to an opportunity for the Exchange to re-focus its enforcement resources into other important areas.
78. The enforcement tools and resources available to the Exchange are limited, and it is important that those resources are targeted towards those areas of conduct where the Exchange believes they can be effectively deployed. With this in mind, at the policy meeting held in February 2014, the Listing Committee considered a paper from the Listing Division which proposed the adoption of five themes as the focus for investigation (and later enforcement action where appropriate) for 2014 and beyond.
79. The five themes are: (a) director's performance of fiduciary duties, particularly their exercise of care, skill and diligence required under the Listing Rules including in relation to asset disposal and acquisition by issuers, and IPO prospectus disclosure by newly listed issuers; (b) issuers delinquent in publishing accounts resulting from internal control deficiencies; (c) circumstances leading to "heavily" qualified accounts (i.e. with an adverse or disclaimer opinion by auditors) and directors' responsibilities; (d) failure of issuers (which are subject to prolonged trading suspension) and their directors to address the Exchange's concerns in a timely manner to procure trading resumption as soon as possible; and (e) failure of issuers and directors to co-operate with the Exchange's investigation. The Committee generally agreed and supported this approach. This themed approach to enforcement will be kept under regular review.
80. The Committee understands that 50% of the 60 investigations conducted during the year (including those which remained active as at 31 December 2014) included one or more of the themes referred to in paragraph 79 above and may lead to disciplinary action in due course. It should be noted, however, that notwithstanding this themed approach to investigation, the Exchange will continue to pursue any other breaches of the Rules that may demonstrate sufficiently egregious conduct beyond the scope of the themes identified in the preceding paragraph.

81. In summary, the Listing Committee has and will continue to use the existing powers available to it to sanction the conduct of listed issuers and directors who act in breach of the Listing Rules and also direct remedial and other actions designed to enhance the corporate governance of listed issuers who have acted in breach of the Listing Rules.
82. The Listing Committee would again take this opportunity to remind directors that the level of co-operation shown in helping the Exchange establish the facts during an investigation into suspected breaches is a factor taken into account in deciding what, if any, disciplinary action is appropriate. Directors are required by the terms of their undertaking to the Exchange to co-operate with the Exchange to facilitate the performance of its regulatory function in responding promptly to enquiries and attending meetings with the Listing Division and the Committee when required. Breach of these obligations may give rise to disciplinary action distinct from the substantive breaches of the Listing Rules suspected. Action in this respect was taken and public sanctions imposed against two directors in 2014. Failure to co-operate with the Exchange's investigation is now a theme for investigation and possible future action as described above.
83. Looking ahead, the Listing Committee will continue to explore ways and means to make the disciplinary regime more effective and responsive to market needs and expectations. In July 2013, the Committee considered a paper prepared by the Listing Division which, among other things, reviewed the disciplinary framework founded in the Listing Rules which has been in place for some years to see what, if any, changes were necessary given the passage of time since the current framework came into force. Work has continued on this project during 2014, including an examination of the disciplinary regimes and sanctions available to other exchanges in different parts of the world. External legal advice has also been sought and obtained from Senior Counsel. The Listing Division is currently formulating a package of proposals for the consideration of the Listing Committee which will be considered in 2015, and which may lead to public consultation on possible Rule changes in due course.
84. In addition, the Listing Committee has continued to take steps to enhance the transparency of the Exchange's Rule enforcement work. During 2014, this specifically focused on the information disclosed in the public announcements concluding disciplinary action by providing more details and reasons for the actions taken by the Listing Committee. As part of a continuous effort to improve the level of information available to the market in relation to this important area of regulatory work, the Listing Division will bring forward proposals to the Listing Committee in 2015. The proposals will seek to provide more information to the market and may include, for example, changes to the presentation of enforcement related work on the HKEx website.

REVIEW MEETINGS

85. The Listing Committee considered 18 (2013: 11) 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 one (2013: three) request for review. Details of these reviews are set out in the table below.

Appeal Committee	Decision Made By	Nature of Decision	Number of Cases	Outcome as at 31 December 2014
Listing Appeals Committee	Listing (Review) Committee	Direct a resumption of trading	1	Upheld
Listing (Review) Committee	Listing Committee	Direct a resumption of trading	1	Upheld
	Listing Committee	Cancellation of listing	2	Upheld: 1 Overturned: 1
	Listing Committee	Return of listing application	2	Upheld
Listing Committee	Listing Division	Determination that transaction was a reverse takeover	2	Upheld
	Listing Division	Determination that a company had insufficient assets to warrant continued listing	1	Upheld
	Listing Division	Return of listing application	3	Upheld
	Listing Division	Rejection of listing application	7	Upheld: 5 Overturned: 2

86. As at 31 December 2014, there were three cases under review as follows:

Appeal Committee	Decision Made By	Nature of Decision	Number of Cases
Listing Appeals Committee	Listing (Review) Committee	Cancellation of listing	1
Listing (Review) Committee	Listing Committee	Rejection of listing application	1
Listing Committee	Listing Division	Rejection of listing application	1

POLICY AGENDA FOR 2015 AND BEYOND

87. We highlight below those matters we currently plan to consider during 2015 and beyond:

Prospectuses and listing process

- Prospectus simplification including consideration of incorporation by reference
- Review of placing guidelines
- Review of settlement process

Listing matters

- Review of weighted voting rights regimes
- Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments
- Review of treasury shares and block listing regime
- Review of Chapters 2A and 2B
- Review of Chapter 37 on debt issues to professional investors only

Ongoing obligations and other related matters

- Review of Environmental, Social and Governance Reporting Guide
- Review of the handling of long suspended companies and related requirements

APPENDIX 1 COMPOSITION, ROLE AND OPERATIONS OF LISTING COMMITTEE

MEMBERS AS AT 31 DECEMBER 2014

Chairman

LEE Ka Sze, Carmelo

Deputy Chairmen

BROWN Stephen James

TAYLOR Stephen

Ex officio member

LI Xiaojia, Charles

Other members (in alphabetical order)

CHAN Wing Tak, Kevin

CHARLTON Julia Frances

CHOW Yik-Cheung, Eric

CLARK Stephen John

GOODING Nial Dennis Henry

HO Chi On, John

HO Yvonne

IP Tin Chee, Arnold

LEUNG Heung Ying, Alvin

LEUNG Siu Tung, Anthony

LI Kai Cheong, Samson

LIU Ting An

MAGUIRE John Martin

MALCOLM Andrew Craig

NG Meng Hua, Daniel

PHENIX Paul Anthony

SWIFT Joseph Daniel

TAN Siew Boi, May

TRACY Alexandra Boakes

TYE Philip Andrew

WEIR Andrew Walter Bougourd Ross

YEUNG Eirene

YUNG Wen Yee, Wendy

ZEE Helen

COMPOSITION OF LISTING COMMITTEE

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

ROLE OF LISTING COMMITTEE

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

OPERATIONS OF LISTING COMMITTEE

6. One of the principal items of business of the Listing Committee's regular meetings is considering whether or not to approve new listing applications for the Main Board. Applications for listing on GEM are considered by the Listing Division, with applicants retaining a right of appeal to the Listing Committee. The Listing 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 Listing 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.
7. The power to approve the cancellation of listing of securities ("delisting") rests with the Listing Committee. Main Board issuers may be delisted under the three-stage process set out in Practice Note 17 of the Listing Rules. They may also be delisted under Chapter 6 of the Main Board Rules. GEM Rules 9.14 to 9.18 deal with the delisting of GEM companies.
8. The Listing Committee's approval is required to place a Main Board issuer in the third stage of the delisting procedures under Practice Note 17 of the Listing Rules, to give a Main Board or GEM issuer notice of the Exchange's intention to delist the issuer, or to cancel the listing of a Main Board or GEM issuer. The Listing Committee's decision to delist a Main Board or GEM issuer may be subject to review by the Listing (Review) Committee and, in turn, the Listing Appeals Committee.
9. At each regular meeting, the 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.
10. Policy matters are generally dealt with at policy meetings of the Listing Committee as this helps to ensure broad participation from the Listing Committee membership. The Listing Committee aims to hold policy meetings on a quarterly basis. Nonetheless it is sometimes necessary for issues to be considered at regular meetings of the Committee. These items are normally in the nature of reporting back on minor revisions to policy previously agreed at quarterly policy meetings or amendments to the 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.
11. Disciplinary matters are generally dealt with at specially convened meetings of the Listing Committee. For contested disciplinary actions, written representations are central to the process. A typical case will involve one round of written submissions from the Listing 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.

12. For agreed disposals of disciplinary matters, a settlement proposal as agreed between the Listing 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. For transparency and procedural fairness purposes, all the parties to the disciplinary action are invited to appear before the Committee to address any concerns which the Committee may have in respect of the settlement proposal, and the Committee may also ask questions of the parties present regarding the proposed settlement.

APPENDIX 2 POLICY DEVELOPMENT

MATTERS CONSIDERED DURING THE YEAR

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

Date	Items
23 January 2014 Regular meeting	<ul style="list-style-type: none">• Approval of Consultation Conclusions on:<ul style="list-style-type: none">– Review of Connected Transactions Rules– Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules
29 January 2014 Regular meeting	<ul style="list-style-type: none">• Approval of Rule Amendments in relation to Annual Listing Fees arising from Implementation of the New Companies Ordinance
13 February 2014 Regular meeting	<ul style="list-style-type: none">• Approval of:<ul style="list-style-type: none">– Listing Committee Annual Report 2013– Delegation of Authority to the Head of Listing to Grant Consent under Appendix 6 of the Rules for Placings of Shares to Connected Clients– Financial Statements Review Programme Report 2013
24 February 2014 Policy meeting	<ul style="list-style-type: none">• Approval of:<ul style="list-style-type: none">– Guidance Letter on Reverse Takeover Rules (in principle approval)– Guidance on Opinion Letters prepared by Independent Financial Advisers under the Listing Rules (in principle approval)• Updates/briefings on:<ul style="list-style-type: none">– Weighted Voting Rights– Listing Applications filed under the New Sponsor Regime– Use of Structured Contracts by Listing Applicants– Themed Approach to Enforcement of the Rules– Review of Disclosures in Issuers' Annual Reports to Monitor Rule Compliance• Reviews of:<ul style="list-style-type: none">– 3-Day Check for Accepting New Listing Applications under the New Sponsor Regime– Special Rights attaching to Pre-IPO Investments and Post-IPO Investments– Pricing Procedures for IPOs– Listed Issuers using Contractual Arrangements for their Businesses– Public Float for A+H Share Companies

Date	Items
13 March 2014 Regular meeting	<ul style="list-style-type: none"> • Briefing on Implementation of the Inside Information Regime
27 March 2014 Regular meeting	<ul style="list-style-type: none"> • Briefing on Procedures for Dealing with Complaints after Application Proofs have been Published on the HKEx Website
10 April 2014 Regular meeting	<ul style="list-style-type: none"> • Briefing on Full Circulation of Domestic Shares in H Share Issuers
30 April 2014 Regular meeting	<ul style="list-style-type: none"> • Approval of: <ul style="list-style-type: none"> – Guidance Letter on Reverse Takeover Rules (initial draft) – Guidance on Opinion Letters prepared by Independent Financial Advisers under the Listing Rules – Guidance on Listed Issuers using Contractual Arrangements for their Businesses
26 May 2014 Policy meeting	<ul style="list-style-type: none"> • Approval of: <ul style="list-style-type: none"> – Guidance Letter on Reverse Takeover Rules – Consultation Paper on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report – Consultation Paper on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments – Scope of Review of Chapters 2A and 2B of the Rules • Updates/briefings on: <ul style="list-style-type: none"> – Weighted Voting Rights – Depositary Receipts – GEM Listing Applications • Review of Chapter 20 Authorised Collective Investment Schemes' Listing Process
12 June 2014 Regular meeting	<ul style="list-style-type: none"> • Briefing on the HKICPA's Accountants' Report Project

Date	Items
<p>25 August 2014 Policy meeting</p>	<ul style="list-style-type: none"> • Approval of: <ul style="list-style-type: none"> – Concept Paper on Weighted Voting Rights • Updates/briefings on <ul style="list-style-type: none"> – SFC’s Annual Review of the Exchange’s Performance in its Regulation of Listing Matters – FSTB’s Proposals to Improve the Regulatory Regime for Listed Entity Auditors – Prospectus Simplification – Cornerstone Investments – Overseas Regulatory Announcement Requirements – Financial Services Development Council Report — Positioning Hong Kong as an International IPO Centre of Choice • Review of: <ul style="list-style-type: none"> – Approach to Dealing with Directors’ Suitability Issues – Placings of Warrants using General Mandates – The 3-Day Check for Listing Applications under the New Sponsor Regime
<p>24 November 2014 Policy meeting</p>	<ul style="list-style-type: none"> • Approval of: <ul style="list-style-type: none"> – Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report – Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments – Delegation of Authority to the Head of Listing to Grant Waivers of Rules 4.04(1), 5.07, 8.06 and 18.24(2) – Procedures in relation to Attendance at Committee Meetings by Committee Members in their Capacity as Advisers • Updates/briefings on: <ul style="list-style-type: none"> – New Sponsor Regime after One Year of Implementation – GEM Listing Applications – Proposals to Introduce Treasury Shares and Block Listing – Preliminary Review of the Environmental, Social and Governance Reporting Guide and formation of a sub-committee to consider this further • Review of: <ul style="list-style-type: none"> – Requirements in relation to Pre-IPO Investments and Investments in Listed Companies – The Listing Regime for Chapter 21 Non-SFC Approved Collective Investment Schemes

APPENDIX 3 MEETING STATISTICS

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

Nature of Meeting	Number of Meetings		Average Number of Members in Attendance	
	2014	2013	2014	2013
Regular Meetings:				
– With regular business only	42	37	15.5	14.7
– With policy items	8	10	20.1	21.0
Total	50	47	16.2	16.1
Review Meetings (*excluding reviews by Listing Appeals Committee)	18	12	7.4	6.8
Disciplinary Meetings	6	6	9.0	7.6
Quarterly and ad hoc policy meetings	4	3	25.5	21.3
Total	78	68		

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

APPENDIX 4 ATTENDANCE AT MEETINGS

Member	NATURE OF MEETING							
	Regular		Policy		Disciplinary		Review	
	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
In office all year								
Mr Carmelo Lee	38/50	76	4/4	100	3/5	60	4/9	44
Mr Stephen Brown	34/50	68	2/4	50	5/6	83	10/15	67
Mr Stephen Taylor	40/48	83	3/4	75	2/2	100	4/5	80
Mr Charles Li	22/50	44	4/4	100	–	–	–	–
Mr Kevin Chan	37/21	176	4/4	100	3/3	100	7/7	100
Ms Julia Charlton	40/22	182	4/4	100	4/4	100	9/9	100
Mr Eric Chow	37/21	176	4/4	100	1/3	33	6/9	67
Mr Stephen Clark	31/21	148	4/4	100	2/2	100	10/11	91
Mr Nial Gooding	37/22	168	4/4	100	3/4	75	5/6	83
Ms Yvonne Ho	33/20	165	4/4	100	1/3	33	7/10	70
Mr Arnold Ip	28/22	127	3/4	75	2/3	67	3/5	60
Mr Alvin Leung	34/19	179	4/4	100	3/3	100	5/14	36
Mr Anthony Leung	14/18	78	4/4	100	0/0	n/a	1/4	25
Mr Samson Li	24/18	133	4/4	100	1/1	100	1/3	33
Mr Liu Ting An	29/19	153	4/4	100	3/3	100	3/6	50
Mr John Maguire	23/22	105	4/4	100	2/3	67	4/7	57
Mr Andrew Malcolm	16/20	80	4/4	100	2/3	67	7/12	58
Mr Daniel Ng	32/22	145	4/4	100	0/3	0	0/8	0
Mr Paul Phenix	39/21	186	4/4	100	3/3	100	8/11	73
Ms May Tan	30/22	136	2/4	50	2/3	67	1/6	17
Mrs Alexandra Tracy	28/20	140	4/4	100	2/2	100	8/10	80
Ms Eirene Yeung	15/22	68	3/4	75	1/3	33	3/11	27
Ms Helen Zee	35/20	175	4/4	100	3/3	100	5/8	63
Appointed this year⁴								
Mr John Ho	10/8	125	2/2	100	0/1	0	1/8	13
Mr Daniel Swift	13/10	130	2/2	100	0/0	n/a	4/6	67
Mr Philip Tye	14/11	127	1/2	50	1/1	100	4/9	44
Mr Andrew Weir	18/10	180	2/2	100	0/0	n/a	3/5	60
Ms Wendy Yung	10/9	111	2/2	100	0/1	0	4/8	50
Retired this year⁵								
Mr Nigel Davis	15/12	125	2/2	100	1/2	50	3/6	50
Dr Guorong Jiang	14/12	117	2/2	100	0/3	0	1/4	25
Mr Terence Keyes	10/11	91	2/2	100	2/2	100	2/4	50
Mr Richard Sun	11/12	92	2/2	100	2/3	67	0/3	0

Notes:

Attendance

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

Other

- 4 Members were appointed on 11 July 2014.
- 5 Members retired on 11 July 2014.

Hong Kong Exchanges and Clearing Limited

12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Tel: +852 2522 1122

Fax: +852 2295 3106

HKEx website: www.hkex.com.hk

Email: info@hkex.com.hk

HKEx Group website: www.hkexgroup.com