



Listing Committee  
Report 2022





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# Foreword

## Purpose of this Report

This report is an account of the work of the Listing Committee<sup>1</sup> of The Stock Exchange of Hong Kong Limited (the **Exchange**) for the year ended 31 December 2022. It highlights the matters the Listing Committee (the **Committee**) has dealt with during the year that it believes will be of greatest interest to the investing public, practitioners and issuers, and outlines the position or action the Listing Committee, the Listing Division (the **Division**) and the Exchange have taken. It also includes a policy agenda of matters that the Listing Committee plans to consider in 2023 and beyond.

This report has been prepared for the board of the Exchange and the board of its parent company, Hong Kong Exchanges and Clearing Limited (**HKEX**) and was approved by the Committee for submission to meetings of those boards held on 23 February 2023. It will be forwarded to the Financial Services and the Treasury Bureau, the Securities and Futures Commission (**SFC**) and posted on the HKEX website.

## The Committee's Workload

The Listing Committee considered 126 listing applications, an increase of 6% on last year, despite the challenging economic conditions for IPOs in Hong Kong. The Committee also held sub-committee meetings to discuss a wide range of policy matters, namely: the listing regime of Specialist Technology Companies; a review of GEM; the reform of share scheme Rules; amendments to complement the SFC's amended Code of Conduct; and progressing corporate governance and environmental, social and governance (**ESG**) matters.

The Committee also heard six review and 29 disciplinary cases and the Exchange published seven new Guidance Letters, six new Listing Decisions, three consultation papers and three consultation conclusions papers in the year.

## Market Development

The Exchange continued to enhance its market competitiveness and broaden capital markets access in Hong Kong by opening up to a more diverse range of issuers, in particular those from emerging and innovative sectors with high growth potential.

To help drive growth in talent and investment across five frontier industries in the region and beyond, the Exchange published a consultation paper on a "Listing Regime for Specialist Technology Companies". Under the proposals, companies from these industries would be able to list in accordance with the Listing Rules tailored to their characteristics. The consultation closed in December 2022 and the Exchange expects to publish conclusions in the first quarter of 2023.

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

In 2022 we continued to see several US listed Greater China issuers achieving “homecoming” listings in Hong Kong, with 10 such listings in the year. Notably, six chose to dual primary list. Primary listing status is a pre-requisite (among other criteria) for consideration to be included in our Southbound Stock Connect programme. In January 2022, the Exchange published guidance for issuers wishing to convert from a secondary listing to a primary or dual primary listing. Five issuers subsequently followed that guidance and converted to dual primary listing, and three issuers announced their plans to convert.

By the end of 2022, listings under the Listing Rule Chapters 18A, 18B and 19C accounted for 20% (2021: 21%) of total market capitalisation and had an average daily turnover of HK\$22,790 million, representing 23% of market turnover (2021: HK\$29,116 million, 20% of market turnover).

The year also saw greater diversification of investment opportunity through the launch of our listing regime for SPACs. As at the date of this report, five SPACs have been listed, raising total funds of HK\$5 billion, and an additional nine SPACs have applied to list. We published a guidance letter and a set of FAQs in March and September, respectively, in response to market queries on the new regime.

## Improving Efficiency

The Committee continually looks for ways to streamline the Exchange’s practices and operations. To improve operational efficiency and reduce our impact on the environment, all without compromising investor protection, we published a consultation paper on “Proposals to Expand the Paperless Listing Regime and Other Rule Amendments”. The consultation proposals included: (a) removing the submission of documents that are unnecessary to our regulatory objectives; (b) mandating the electronic submission of a majority of submission documents; and (c) requiring that listed issuers electronically disseminate their corporate communications.

The consultation period closed on 28 February 2023 and we hope to conclude on these reforms soon.

## Enhancing Standards

In May 2021, together with the SFC, we drew attention to behaviour that could undermine the development of an open, orderly and fair market and call into question the existence of genuine investor interest in some initial public offerings. Our “[Joint statement on IPO-related misconduct](#)” described the actions we would take in such cases of suspected “ramp and dump” schemes to artificially satisfy the initial listing requirements or facilitate post-IPO market manipulation of shares.

In 2022, the Exchange made enquiries on a number of listing applications that showed the characteristics described in our statement. In doing so, we aimed to ensure that there was sufficient genuine investor interest in these applicants to enable an open, fair and orderly market for their securities to develop after listing.

We also concluded enforcement actions on cases involving the making of substantial investments and/or payments by newly-listed issuers around or shortly after listing, which had not been properly disclosed in a prospectus and which did not always appear to be commercially justified.



In 2022, we continued to monitor listed issuers for red flags suggestive of reverse takeover activities, and assess whether listed issuers maintained a sufficient level of operations to meet their continuing obligations. Two material transactions were ruled as reverse takeovers subject to the reverse takeover Rules, and six issuers were found not to have met our Rules requiring issuers to maintain sufficient operations and assets. This work is an important deterrent against shell activities.

Disciplinary sanctions protect the public and the integrity of the market, improve corporate governance, remedy misconduct, and deter parties subject to the disciplinary jurisdiction of the Committee from engaging in the same or any similar activities.

Amendments to the Listing Rules enhancing our disciplinary powers and sanctions came into effect on 3 July 2021. The new Rules provide a more comprehensive spectrum of graduated disciplinary sanctions that better equip us to take meaningful action against the individuals responsible for breaches and misconduct. We imposed our new sanction – the director unsuitability statement<sup>2</sup> – implemented as part of these reforms, on 13 directors this year, for serious breaches of their obligations (9% of directors publicly sanctioned in the year).

## Driving Positive Change

In 2022 we introduced Listing Rules to end single-gender boards and set numerical targets and timelines for board gender diversity. The Exchange launched a new repository in April, “Board Diversity & Inclusion in Focus” to inform investors and other stakeholders of issuers’ diversity data. The repository contains details of every issuer’s board of directors by age, gender and years of tenure and this information can be filtered by industry sector to facilitate assessment against peers.

Also in April, the Exchange enhanced its ESG Academy website pages with the introduction of “ESG in Practice”. This formed part of the Exchange’s ongoing efforts to provide timely, relevant and useful ESG guidance and information to the market. The Academy highlights the latest ESG regulatory developments and provides examples of exemplary ESG practices.

In November, the Exchange published its review report on issuers’ ESG disclosure<sup>3</sup>. We were pleased to note that our 2020 Enhancements (as defined below) had helped drive positive change in the market. Regarding ESG governance, over 95% of issuers disclosed their board’s oversight and management approach on ESG matters. On climate change, 85% of issuers acknowledged the importance of climate-related risks and chose to disclose details on all new climate-related requirements.

These findings show that good progress has been made in ensuring that Hong Kong listed company boards are giving the necessary focus to ESG considerations and that the Listing Rules are achieving the intended effects.

2 A statement of opinion made by the Committee that the director is unsuitable to occupy a position as director or within senior management of the issuer in question or any of its subsidiaries.

3 From 2016, all issuers are required to produce an ESG report annually under the Listing Rules. Since then, the Exchange has conducted periodic reviews of issuers’ ESG practice disclosures. This is the Exchange’s third ESG practices review, and past reports are available [here](#).

## Looking Ahead

Our focus in 2023, and beyond, will continue to be twofold as we work to both develop the Hong Kong market and enhance its quality.

We look forward to publishing conclusions to our consultation paper on a listing regime for Specialist Technology Companies and the first listings of this exciting new category of companies with high growth potential.

To provide small and medium enterprises with greater fundraising opportunities we will continue our review of GEM<sup>4</sup>. We also intend to initiate a review of the structured products regime (Chapter 15A of the Main Board Listing Rules). Potential changes to this regime include enhancements of listing standards and the facilitation of new product development.

Our ESG focus, in 2023, will be on aligning our standards on climate disclosure with the recommendations of the Task Force on Climate-Related Financial Disclosures (**TCFD**) and the adoption of new standards published by the International Sustainability Standards Board (**ISSB**). We expect to publish a consultation paper on this subject in the first half of 2023.

A full list of our policy agenda for 2023 and beyond is set out below (see page 29).

I would like to thank the Committee members and the Division for their hard work and I look forward to another productive and successful year ahead.



**Keith Pogson**

*Chairman*

4 Mentioned in section IV of the [Chief Executive's 2022 Policy Address](#).

# Main Topics Arising In The Year

1. This section contains the matters that the Listing Committee has dealt with during the year that it believes will be of greatest interest to the investing public, practitioners and issuers, and outlines the position or action the Listing Committee, the Division and the Exchange have taken.

## Consultations

### Consultation Paper on Listing Regime for Specialist Technology Companies

2. Based on our research and our discussions with market stakeholders, the Exchange believes that there is a strong appetite among investors in Hong Kong for the listings of Specialist Technology Companies due to their high growth potential.
3. On 19 October 2022, the Exchange published a consultation paper seeking market feedback on proposals to expand Hong Kong's existing listing regime to permit listings of Specialist Technology Companies<sup>5</sup>.
4. Under the proposed regime, Specialist Technology Companies would be categorised into Commercial Companies<sup>6</sup> and Pre-Commercial Companies<sup>7</sup>, with more stringent requirements for Pre-Commercial Companies given their risk profile.
5. The main features of the Exchange's listing regime for Specialist Technology Companies, on which we consulted, are set out below.

#### Qualifications for Listing

- (a) *Commercialisation Revenue Threshold*: Commercial Companies would be defined as those that have met a certain threshold of revenue from their Specialist Technology business segment for the most recent audited financial year.
- (b) *Minimum expected market capitalisation at listing*: based on whether an applicant is a Commercial Company or a Pre-Commercial Company.
- (c) *Research and Development*: all applicants must have been engaged in research and development (R&D) for at least three financial years prior to listing, with investment amounting to a threshold percentage of total operating expenditure.

5 A Specialist Technology Company is a company primarily engaged in the research and development of, and the commercialisation and/or sales of, products and/or services that apply science and/or technology within an acceptable sector of a Specialist Technology Industry. The list of Specialist Technology Industries and the respective acceptable sectors considered by the Exchange to fall within the scope of the proposed regime will be published in a guidance letter (a draft of which is set out in Appendix V of the Consultation Paper), and will be updated from time to time.

6 A Commercial Company means a Specialist Technology Company that is able to meet the proposed Commercialisation Revenue Threshold at the time of listing.

7 A Pre-Commercial Company means a Specialist Technology Company which has not yet met the Commercialisation Revenue Threshold at the time of listing.



- (d) *Minimum third party investment*: the listing applicant must have received meaningful investment from Sophisticated Independent Investors with indicative benchmarks provided as to how this requirement could be met.
- (e) *Path to commercialisation*: a Pre-Commercial Company must demonstrate a credible path to achieving the Commercialisation Revenue Threshold and disclose this in its listing document.

#### IPO requirements

- (f) *An optimised price discovery process*: to facilitate the IPO pricing of Specialist Technology Companies due to the inherent difficulties in their valuation.
- (g) *A minimum free float*<sup>8</sup>: to ensure sufficient liquidity in share trading and to help facilitate IPO pricing.
- (h) *Additional disclosures*: on matters including the pre-IPO investment obtained and the applicant's commercialisation status and prospects, with appropriate warning statements.

#### Post-IPO requirements

- (i) *Post-IPO lock-ups*: on controlling shareholders, key persons and certain existing shareholders to demonstrate commitment to the issuer's technology, financial position and prospects.
- (j) *Additional continuing obligations for Pre-Commercial Companies*: including additional disclosures in interim and annual reports on the progress made towards achieving the Commercialisation Revenue Threshold, and updates on any business and financial estimates provided in the Listing Document.

6. The consultation paper is available on the HKEX website. The consultation period closed on 18 December 2022. The Exchange is considering the responses received and will publish its conclusions soon.

### Conclusions on Proposed Amendments to the Listing Rules Relating to the Share Schemes of Listed Issuers

7. On 29 July 2022, the Exchange published conclusions to its consultation on "Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers"<sup>9</sup>.
8. The Exchange received 58 non-duplicate responses from a broad range of respondents. Those who responded were supportive of the Exchange's initiatives to provide a consistent regulatory framework to govern both share option schemes and share award schemes. Comments on specific proposals were primarily related to the operational aspects of the proposals and the nature and level of disclosure proposed.

<sup>8</sup> "Free float" refers to listed shares that are not subject to disposal restrictions.

<sup>9</sup> The consultation paper was published on 29 October 2021.

9. Having considered the responses, the Exchange adopted the consultation proposals with modifications to reflect respondents' comments where appropriate. The modifications mainly relate to the role of the remuneration committee, the required vesting period for share awards and options, and requirements for share schemes of subsidiaries.
10. The key changes to the Listing Rules are set out below:

For share schemes funded by issuance of new shares of listed issuers

- (a) Chapter 17 was extended to govern all share schemes involving the grants of share awards and the grants of options to acquire the new shares of issuers;
- (b) The restriction of eligible participants of share schemes to employee participants, related entity participants and service providers;
- (c) Scheme mandates:
- The application of a scheme mandate limit not exceeding 10% of an issuer's issued shares to all share schemes of the issuer and the requirement for an issuer to set a service provider sublimit within the scheme mandate limit;
  - The requirement for independent shareholders' approval for the refreshment of scheme mandates within a three year period;
- (d) The requirement for shareholder approval for grants to: (i) an individual participant in excess of the 1% Individual Limit; or to (ii) a connected person in excess of the de minimis threshold<sup>10</sup>. All Share Grants to Connected Persons will require approval by independent non-executive directors;
- (e) The requirement for a minimum vesting period of 12 months. Share Grants to Employee Participants may be subject to a shorter vesting period under specific circumstances as set out in the scheme document. Share Grants to directors and senior management with a shorter vesting period must be approved by the remuneration committee;
- (f) The requirement for the disclosure of the details of grants by the issuer to the following participants to be made on an individual basis: (i) a connected person; (ii) a participant with grants in excess of the 1% individual limit; (iii) a related entity participant or service provider with grants in excess of 0.1% of the issuer's issued shares over any 12-month period;

<sup>10</sup> De minimis threshold refers to (i) the limit on grants of share awards (involving new shares) to a director (other than an independent non-executive director) or chief executive of the issuer; or (ii) the limit on Share Grants to an independent non-executive director or substantial shareholder of the issuer, which, without shareholders' approval, must not exceed 0.1% of the issued shares of the issuer over any 12-month period.



#### Share Schemes funded by existing shares of listed issuers

- (g) The requirement for disclosure in annual reports of: (i) a summary of each share scheme; and (ii) information relating to grants of existing shares during the year;

#### Share Schemes of subsidiaries of listed issuers

- (h) The application of Chapter 17 to the Share Schemes of a principal subsidiary<sup>11</sup>. Grants under share schemes of other subsidiaries are now subject to Chapters 14 and/or 14A requirements.
11. The Rule amendments came into effect on 1 January 2023. Transitional arrangements were provided to allow issuers to continue to make grants under existing share schemes.
12. The consultation paper, consultation conclusions and copies of respondents' submissions are available on the HKEX website.

#### **Consultation Paper on proposals to Expand the Paperless Listing Regime and other Rule Amendments**

13. In July 2020, the Exchange published a Consultation Paper on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display. In 2021, the Exchange introduced other paperless initiatives, including an online-only listing rule book and the use of listing e-forms. Also, in July 2021, we announced our plan to introduce a new platform, Fast Interface for New Issuance (FINI), to comprehensively streamline and digitalise Hong Kong's IPO settlement process. The various paperless initiatives have improved efficiency and lowered costs for issuers.
14. In 2022, on 16 December, the Exchange expanded our paperless listing regime initiatives further by publishing a consultation paper seeking public feedback on proposals to simplify our administrative procedures and reduce the use of paper.
15. The consultation paper included the following proposals:
- (a) Streamlining of the document submission process by:
- Removing the submission of documents that are unnecessary to the Exchange's regulatory objectives.
  - Codifying obligations as Listing Rules to replace standalone undertakings and confirmations.
  - Removing unnecessary signature and certification requirements.
  - Mandating electronic submission for a majority of submission documents.

<sup>11</sup> "Principal Subsidiary" refers to a subsidiary whose revenue, profits or total assets accounted for 75% (or more) of that of the issuer under the percentage ratios in any of the latest three financial years.

(b) The electronic dissemination of corporate communications by:

- Mandating that listed issuers electronically disseminate corporate communications to the extent permitted by the laws and regulations applicable to them.

(c) The simplification of Listing Rules appendices by:

- Restructuring them to simplify navigation and enhance the online experience for Listing Rules users.

16. The consultation paper is available on the HKEX website. The consultation period closed on 28 February 2023. The Exchange is considering the responses received and will publish its conclusions in due course.

## Corporate Governance

17. In April 2022, the Exchange launched a “Board Diversity & Inclusion in Focus” repository providing data on each issuer’s board of directors, by age, gender and year of tenure. The centralised platform is intended to improve access to information on and transparency around board diversity, enabling investors and other stakeholders to stay informed of businesses’ policy and approach to good governance and board diversity.
18. In July 2022, the Exchange hosted an ESG Academy webinar entitled “Corporate Governance in Focus” to discuss the new elements of the updated Corporate Governance Code<sup>12</sup> and the role that culture, integrity and diversity play in building effective corporate governance. The webinar was well received with close to 700 participants.
19. In January 2023, the Exchange launched a new corporate governance portal “Corporate Governance Practice” on its website. The portal gives succinct guidance and resource links for key corporate governance topics, including board effectiveness, INEDs, and risk management & internal controls. Going forward, the portal will function as an up-to-date landing page and repository on the topic of corporate governance and relevant materials.

12 Appendix 14 of Main Board Listing Rules / Appendix 15 of GEM Listing Rules.



## ESG

### Market Education

20. As part of the Exchange's continued commitment to support and educate the market on ESG, we provided the following resources:
- In April 2022, the Exchange introduced an “ESG in Practice” section to the ESG Academy. This is part of the Exchange's ongoing efforts to provide timely, relevant and useful guidance and information to the market. The new section highlights the Exchange's latest ESG regulatory developments, and provides examples of exemplary ESG practices.
  - In August and September 2022, the Exchange organised four climate disclosures training sessions<sup>13</sup>. The training aims to help companies better understand how they can incorporate TCFD recommendations into their business strategy and disclosures and share practical tips on how companies can adopt TCFD-aligned climate reporting.
  - In November 2022, the Exchange hosted an ESG Academy webinar entitled “Decarbonisation Along the Value Chain” to discuss how to manage carbon emissions along value chains. The webinar aims to facilitate companies' transition to net zero and reflects the Exchange's commitment in supporting the business community along this journey.
  - In November 2022, the Exchange published the “2022 Analysis of ESG Practice Disclosure” to provide recommendations and guidance to promote enhanced ESG stewardship in issuers.

### Analysis of ESG Practice Disclosure

21. In 2022, the Exchange analysed 400 issuers' ESG reports for the financial year ended 30 June 2021, 31 December 2021 and 31 March 2022. The review focused on the requirements that came into effect in July 2020 (**2020 Enhancements**)<sup>14</sup>, with an emphasis on boards' ESG governance and the management of climate-related risks.
22. Regarding ESG governance, over 95% of issuers disclosed their boards' oversight and management approach on ESG matters. On climate change, 85% of issuers acknowledged the importance of climate-related risks and chose to disclose details on all new climate-related requirements<sup>15</sup>.
23. These findings show that good progress has been made in ensuring that boards of Hong Kong listed companies are giving the necessary focus to ESG considerations and that the Listing Rules are achieving the intended effects. This fully supports with HKEX's goal of aligning with the TCFD framework and the new climate disclosure standards of the ISSB.

13 In collaboration with the United Nations Sustainable Stock Exchanges Initiative, International Finance Corporation, CDP and SynTao Green Finance.

14 As set out in the Exchange's ESG Reporting Guide (ESG Rules) (Appendix 27 of Main Board Listing Rules / Appendix 20 of GEM Listing Rules).

15 These included consideration of significant climate-related risks and mitigation measures; setting of certain environmental targets; and reporting on scope 1 and scope 2 GHG emissions.

24. Key recommendations of the review included:

- (a) *Board governance of ESG issues* – We emphasised that monitoring progress against ESG targets is key to the board’s evaluation of the effectiveness of the measures taken. We reminded issuers that the disclosure of information on the board’s progress review, and the results of the review, are required under the ESG Rules.
- (b) *Climate change* – Issuers were encouraged to commence the planning and building of the necessary infrastructure and systems for enhanced climate reporting requirements in the future.
- (c) *Social issues* – Supply chains play an important role to operating a “sustainable business”. We highlighted that issuers should include in their ESG reports information on supply chain risk management and green procurement practices.
- (d) *Reporting practices* – We reminded issuers that ESG reports covering financial years commencing on or after 1 January 2022 should be published at the same time as annual reports and that issuers who are yet to align the publication of their ESG reports with annual reports should pay particular attention to the new deadlines<sup>16</sup>.

## Stakeholder Communications

### Listing Newsletter

25. On 10 June 2022, the Division published its fourth edition of the Listing Newsletter, which focused on the forthcoming global sustainability reporting standards on climate disclosures that will form part of the Exchange’s review of the ESG reporting framework. We also included an article exploring the relevance to the low-carbon transition of SPACs, and updates on recent listing developments.

<sup>16</sup> Around 60% of issuers have already aligned publication of their ESG reports and annual reports.



## LIR Newsletters

26. The Division published two LIR Newsletters in May and December 2022 providing the market with updates on:
- issuers financial reporting obligations under the COVID-19 restrictions and on long suspended companies' activities;
  - Guidance on convening virtual general meetings;
  - Rule amendments applicable to listed issuers following the SFC's new Code of Conduct on bookbuilding and placing activities;
  - Amended Rules on shares schemes and the 2023 transitional arrangements;
  - The preparation for the next financial year end reporting and annual general meetings, including guidance to audit committees on changes of auditors and new Rule requirements for Core Standards, corporate governance and ESG requirements; and
  - Guidance on secondary listed issuers preparing for a "homecoming" listing.

## Enforcement Bulletin

27. On 4 February 2022 and 17 August 2022, we published Enforcement Bulletins covering, amongst other matters: (a) internal control and risk management frameworks; and (b) record-keeping practices.

## E-learning

28. In 2022, the Exchange launched one new e-learning module on Trading Arrangements for Corporate Actions (launched on 28 January 2022).

## Prospectus and Listing Process

### Guidance for overseas issuers

29. On 1 January 2022, the Exchange published:
- (a) A Guidance Letter on Core Shareholder Protection Standards following the implementation of reforms to the overseas listing regime;
  - (b) A Guidance Letter on a Change of Listing Status from a secondary listing to a dual-primary or a primary listing on the Main Board;
  - (c) FAQs on the "Listing of Overseas Companies"; and
  - (d) FAQs on PRC Issuers Appointing Overseas Audit Firms to carry out engagements in relation to acquisition of overseas companies.

30. On 17 June 2022, the Exchange published FAQs on Core Shareholder Protection Standards in response to market queries on the subject.

### Guidance for Special Purpose Acquisition Companies (SPACs)

31. On 1 January 2022, the Exchange published a Guidance Letter to provide guidance on SPACs with, or seeking, a listing on the Exchange. The guidance letter was revised on 9 December 2022 to provide waivers from the additional connected transaction requirements of Rule 18B.56 under specific conditions.
32. On 4 March 2022, the Exchange published a Guidance Letter to provide guidance on the qualifications and obligations of a SPAC trustee/custodian regarding the operation of the escrow account of a SPAC.
33. On 16 September 2022, the Exchange published FAQs on “Questions Related to Special Purpose Acquisition Companies” to address certain questions on matters regarding SPAC Promoters, independence of INEDs, and obligations of a trust/custodian.

### SFC New Code of Conduct

34. On 29 October 2021, the SFC published its “Conclusions to the Consultation Paper on (i) the Proposed Code of Conduct on Bookbuilding and Placing Activities in Equity Capital Market and Debt Capital Market Transactions and (ii) the ‘Sponsor Coupling’ Proposal”, whereby the SFC proposed new Code of Conduct provisions in relation to the conduct of intermediaries involved in bookbuilding and placing activities (**New Code Provisions**). The New Code Provisions came into effect on 5 August 2022.
35. The Exchange worked closely with the SFC to reflect the new requirements of the New Code Provisions in the Listing Rules and published FAQs (FAQs 077-2022) on 22 April 2022 (updated in August 2022) to help applicants and issuers understand these changes.

### WVR Guidance

36. In January 2022, the Exchange updated its FAQs on “Questions on the Listing of Companies from Emerging and Innovative Sectors” in response to market queries.
37. In September 2022, the Division issued a Listing Decision concerning proposed listing applicants’ suitability to list with a WVR structure. The Listing Decision supplemented existing guidance letters GL93-18 and GL94-18, which set out the factors that the Stock Exchange takes into account when considering whether a proposed listing applicant is suitable for listing with a WVR structure.

## Ongoing Obligations

### RegTech Tools

38. The Division continues to apply technology to improve our regulatory effectiveness and efficiency. In March 2022, we expanded the capabilities of our AI analytic tools to assist us in the review of issuers' result announcements. This computer-aided review enables instantaneous identification of the omission of Rule-required disclosures. It also helps to identify potential material regulatory issues through the application of built-in algorithms. Such "red flags" may appear on matters such as the identification of unusual items, financial ratio analysis and compliance assessments.
39. The use of AI in reviewing financial results announcements enhances our operational efficiency and allows us to take immediate follow-up action on material issues, especially those that have a negative impact on the maintenance of a fair and orderly market.
40. In future, we intend to further expand our utilisation of AI technology to our regulatory goals by applying it to the vetting of other types of issuers' documents, including ESG reports.

### Sufficiency of Operations

41. In 2022, the Division found that six listed issuers had failed to comply with our Rules on the sufficiency of operations requirements. These issuers had generally experienced deterioration in their businesses over a prolonged period, to the extent that they were unable to maintain a sufficient level of operations and assets to meet the continuing obligations under the Listing Rules.
42. As at 31 December 2022, three of the issuers in these six cases were still subject to the review process and three remained suspended from trading.

### Long Suspended Companies

43. In 2022, 38<sup>17</sup> long suspended companies successfully resolved their regulatory issues and resumed trading, including 18 cases (mainly involving delinquent financial results), that were able to do so within one year of their trading suspension.
44. 48 long suspended companies were delisted. A large majority of these issuers failed to publish financial results and had unresolved corporate or accounting irregularities and issues related to management integrity.
45. In June 2022, the Division updated its Guidance Letter on long suspended companies regarding: (a) granting time extensions for a suspended issuer whose failure to remedy all issues within the remedial period was directly due to Covid-19 disruptions; (b) granting listing approval for equity fundraisings by a suspended issuer if the issuer can demonstrate the fulfilment of all resumption guidance and its eligibility for trading resumption after the fundraisings; and (c) the administrative approach of the Listing Committee in deciding on a delisting.

17 Included 31 Main Board issuers and 7 GEM issuers (2021: 26 Main Board issuers and 6 GEM issuers).



## Waivers to Automatic Share Program

46. In September 2022, the Committee considered a proposal to grant waivers to enable listed issuers and directors to conduct automatic share programs on the Exchange during a restricted period<sup>18</sup>. The program would be operated by a broker with full discretion to transact in the issuer's shares within certain parameters, similar to programs adopted by issuers and directors under overseas regulations of other markets<sup>19</sup>.
47. The Committee noted that some issuers had adopted these share programs and the Exchange may consider waiver applications on a case by case basis.

## Adoption of Core Standards

48. In 2022, we amended the Listing Rules to adopt a uniform set of shareholder protection standards (the **Core Standards**) for all issuers regardless of their place of incorporation. Issuers are required to demonstrate that their constitutional documents, in combination with the applicable domestic laws, rules and regulations, conform to these Core Standards.
49. Listed issuers are required to conform to the Core Standards by the second annual general meeting following 1 January 2022. In 2022, approximately 40% of issuers affected by the requirement amended their constitutional documents to conform with the Core Standards.

## Annual Report Disclosure

50. The Division reviews listed issuers' annual reports as part of its monitoring activities. It undertakes an on-going review programme to:
  - (a) review listed issuers' compliance with annual report disclosure requirements under the Listing Rules and selected thematic areas; and
  - (b) assess listed issuers' compliance with specific accounting standards in financial statements.
51. The Division adopts a thematic approach, selecting a number of specific areas for review based on the results of previous reports as well as areas considered to be of higher risks.
52. In 2022, the review covered the annual reports of listed issuers for financial years that ended between January and December 2021. The Division noted that generally, listed issuers continue to achieve a high rate of compliance with the Listing Rule requirements for annual report disclosure.
53. Our thematic review covered the areas of financial reporting and controls and material asset impairments. The Division identified isolated cases involving failures of internal controls and the safeguarding of assets by directors. The Division noted that issuers that received modified opinions or delayed financial reporting commonly had issues related to asset valuations.

<sup>18</sup> As defined by Rule 10.06(2)(e) and the Model Code.

<sup>19</sup> For example, Rule 10b5-1 of the U.S. Exchange Act.

54. We recommended in our report that the management and audit committee maintain appropriate risk management and internal controls. We also reminded issuers that are money lenders (or otherwise provide material loans) of their obligations to make meaningful disclosures about the details of their material loans.
55. The Exchange encouraged listed issuers to note the issues identified in the report and follow the guidance provided.

## Enforcement

### New Guidance Note on Cooperation and Updated Sanctions Statement

56. On 25 November 2022, the Exchange published a new Guidance Note on Cooperation; a revised Sanctions Statement and updated its Enforcement Policy Statement to include links to these documents.
57. The Guidance Note on Cooperation sets out examples of what may constitute good cooperation by the relevant stakeholders with the Exchange and the possible benefits. The note also describes what may be construed as uncooperative conduct, such as the late production of submissions or evidence, and the possible consequences.
58. The Sanctions Statement has been revised to provide further clarity on the Exchange's expectations in respect of a listed issuer's internal controls, and the extent to which an individual may rely on others in the discharge of duties. The primary sanctions available following the revisions of the Exchange's disciplinary powers and sanctions in July 2021 have been incorporated in the updated Sanctions Statement to provide more transparency.

## Appeals

59. The Listing Review Committee (**LRC**) is an independent review committee consisting entirely of outside market participants with no current Listing Committee members or representatives of the SFC or HKEX. It serves to provide an independent avenue for appeals to enhance governance within the Exchange's structure for reviewing the Listing Committee's decisions.
60. All review hearings before the LRC are heard de novo with the LRC rehearing the relevant case and deciding it afresh after considering all evidence and arguments made at earlier hearings, having regard to the earlier decision of the Listing Committee and considering additional information/evidence adduced in accordance with LRC procedures.
61. For the year ended 31 December 2022, the LRC considered a total of 19 reviews. Please see the section headed "Review Meetings" below (on page 28) for the distribution and outcome of these cases. One decision was remitted back to the Listing Committee due to a change in circumstances since the date of the original Listing Committee decision.
62. The majority of review applications were in respect of decisions to cancel listings arising from the issuer's failure to satisfy the Exchange's resumption guidance before the expiry of a prescribed remedial period.

63. Of the 11 review applications in respect of decisions to cancel listings heard by the LRC, 10 decisions were upheld, as these review applicants were not able to demonstrate that their situation fell within the exceptional circumstances under paragraph 22 of the Guidance Letter on long suspension and delisting, so as to warrant the granting of an extension of time to the remedial period.

### Judicial Reviews

64. In the course of 2022, the Exchange oversaw four cases where issuers subject to an adverse decision have either threatened or pursued judicial review proceedings. Of these four cases: (a) two were dismissed by the High Court (with one decision currently being appealed); (b) one is ongoing; and (c) one was not pursued.
65. In the judgments dismissing those two cases, the Court has set out clear endorsements of the approach adopted by the Exchange in each case, reflecting the diligence of the Committees and the robustness and integrity of the decision-making process the Exchange has in place. The judgments have also set up a significant body of bespoke jurisprudence which will further support the Exchange's position in future applications for judicial review.



# Regular Business

## Listing Applications

66. 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	2022	2021
Meetings Within the Regular Schedule	40	42
Specially Convened Meetings	2	8

Listing Applications considered by the Listing Committee	2022	2021
Applications Considered (Note 1)	126	119
Applications Approved (Note 2)	125	118
Applications Rejected	–	1

Listing Applications approved and/or listed by the Listing Committee	2022	2021
Applications Approved and Listed in the Year	74	85
Applications Approved in Previous Year and Listed in the Year	12	37
Applications Listed in the Year	86	122

Notes:

1. Includes nil (2021: one) very substantial acquisition and RTO treated as a new listing application.
2. 2022 and 2021 include all applications approved at the first hearing. Any case that was considered by the Committee more than once in the same year was counted as one case only.

## Cancellation of Listing

67. 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	
	2022	2021
<b>Main Board</b>		
Cancellation of listing (Note 1)		
– Under the previous regime (Note 2)	4	4
– After expiry of prescribed remedial period under the new regime (Note 3)	42	11
<b>GEM</b>		
Cancellation of listing (Note 4)		
– Under the previous regime (Note 2)	–	1
– After expiry of prescribed remedial period under the new regime (Note 3)	10	11

Notes:

1. As at 31 December 2022, 7 of the 46 cancellation decisions made in 2022 were still subject to the review procedures under the Listing Rules.
2. This refers to cancellation of listing of (i) Main Board issuers under Practice Note 17 or Main Board Rule 6.10 and (ii) GEM issuers under GEM Rule 9.15.
3. This refers to cancellations pursuant to the fixed period delisting criteria of 18 months for Main Board issuers and of 12 months for GEM issuers implemented in accordance with the revised delisting regime in August 2018. In 2022, a large majority of cases arose from issuers failing to publish financial results and having unresolved corporate or accounting irregularities and issues related to management integrity.
4. As at 31 December 2022, 1 of the 10 cancellation decisions made in 2022 was still subject to the review procedures under the Listing Rules.

## Other Matters

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

Nature of decision/advice sought	Number of cases	
	2022	2021
<b>Listing Application Requirements</b>		
– Requests for pre-application guidance from potential IPO applicants	11	19
<b>Ongoing Obligations</b>		
– Approval of voluntary withdrawal of listing (Note 1)	23	41
– Consideration of spin off proposal	27	38
– Guidance on whether a listed issuer had sufficient operations or assets to warrant continued listing under Main Board Rule 13.24 and GEM Rule 17.26 (Note 2)	2	20
– Approval of an issuer of structured products	–	1
– Guidance sought on a proposed highly dilutive issue of shares	1	–
– Guidance sought on a proposed subscription	1	–
– Guidance sought on the way forward on the trading suspension due to insufficient public float	1	–
– Proposed voluntary conversion from secondary listing to dual-primary listing on the Exchange	1	–
– Waiver application from strict compliance with public float requirement	–	2
– Extension of resumption deadline	1	–
– Guidance on proposed acquisition	1	1

Notes:

- 2022 includes withdrawal of listing of 9 ETFs (2021: 34) investment products and offshore preference shares of 7 (2021: 4) issuers.
- Since April 2022, the Division handles all Rule 13.24/GEM Rule 17.26 cases unless there are exceptional circumstances.



# Service Standards

## Listing Applications

69. In 2022, the total number of listing applications received by the Exchange was 41% fewer than 2021 due to the challenging economic conditions for IPOs in Hong Kong. The number of applications vetted by the Division in 2022 was 22% fewer than the number of applications vetted in 2021.
70. In 2022, the Exchange vetted 55 listing applications under the new listing regime (Chapters 8A, 18A, 18B and 19C) as compared to 59 in 2021.
71. The Division was able to present 126 applications to the Listing Committee for consideration, 7% more than in 2021. The number of applications presented to the Listing Committee accounted for 40% (2021: 29%) of applications vetted during the year.
72. The statistics on guidance provided at the pre-IPO stage are summarised below:

Action	Number of written responses issued	Average number of business days taken between the date of request for guidance and the date of issue of written response
Response to the request for guidance from listing applicants or their advisers seeking clarifications of listing matters	111	14

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

Action	Number of comment letters issued	Average number of business days taken from date of case acceptance to date of first comment letters issued
Issuance of first round of comments	160	17

Action	Number of cases	Average number of business days taken from date of case acceptance to date of Committee hearing
IPO cases presented to the Listing Committee for consideration	126	167

## Monitoring and guidance actions

74. The following table summarises the Exchange's service standards for monitoring and guidance actions. It is the Exchange's objective to continue improving the transparency, quality, efficiency and predictability of its service.

		% of cases meeting service standard	
Service for Initial Responses	Service standard	2022	2021
Pre-vetting activities			
– Initial response to pre-vetted announcements	Same day	95%	94%
– Initial response to pre-vetted circulars (very substantial acquisition)	10 business days	95%	100%
– Initial response to pre-vetted circulars (other than very substantial acquisition)	5 business days	90%	92%
Issuers' enquiries (Note 1)			
– Initial response to issuer's enquiries	5 business days	92%	94%
Waiver applications (Note 2)			
– Initial response to waiver applications (other than application for delay in despatch of circular)	5 business days	92%	93%
Post-vetting activities			
– Initial response to post-vetted result announcements	3 business days	99%	100%
– Initial response to post-vetted announcements (other than results announcements)	1 business day	99%	99%

Notes:

1. In 2022, 546 written enquiries (2021: 405) on Rule interpretations and related matters were handled.
2. In 2022, 523 waiver applications (2021: 477) from strict compliance with requirements under the Listing Rules were processed.

# Disciplinary Matters

## General Approach

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

## Enforcement Investigations

78. Each year, the Division investigates conduct which may give rise to breaches of the Listing Rules. The Division receives referrals from various sources including:
  - (a) other regulatory or law enforcement agencies;
  - (b) complaints from the general public; and
  - (c) internal referrals as a result of compliance monitoring.
79. In pursuing any potential breach of the Listing Rules and deciding the level of regulatory action, the Division takes into account the non-exhaustive factors set out in the Enforcement Policy Statement and the Enforcement Sanctions Statement.
80. In circumstances where the Division commences an investigation, the conduct and potential breach of the Listing Rules will normally be of a nature sufficiently serious to warrant a public sanction to be imposed by the Listing Committee.
81. Regulatory letters (such as warning letters) may be issued in circumstances where disciplinary proceedings before the Listing Committee are not considered appropriate. These will be recorded as part of the compliance history for the relevant party.
82. During 2022:
  - (a) The Division commenced 38 new investigations (not including the active investigations continued from 2021). This compares with 56 new investigations commenced in 2021.
  - (b) The Division finalised 62 investigations. The average time for completion of an investigation was 11.8 months. This compares with 10.5 months in 2021.



## Case Topics

83. Enforcement cases have continued to cover a broad range of issues and misconduct including, amongst other things, non-compliance with procedural requirements in respect of notifiable or connected transactions, and failures to safeguard the issuer's assets. In many cases, disciplinary action was brought against individual directors for inadequacies relating to the issuer's internal control and risk management environment, or the director's oversight of the issuer's affairs.
84. Notable topics from cases concluded in 2022 included the following:
- (a) loans, prepayments, or financial assistance granted by issuers without proper due diligence, consideration by the board, or subsequent monitoring, and in some cases without a clear business rationale;
  - (b) IPO-related disclosures, and questionable payments or transactions around or shortly after listing involving sums representing a significant portion of the proceeds from the IPO;
  - (c) insufficient proactivity by directors to ensure that an effective internal control framework was in place, or to raise questions on potential areas of concern. Our Sanctions Statement has been revised to provide further clarity on the Exchange's expectations (see paragraph 58 above); and
  - (d) failures to cooperate with the Exchange during an investigation. Our Guidance Note on Cooperation sets out examples of what may constitute good cooperation by the relevant stakeholders with the Exchange (see paragraph 57 above).
85. The Division will use its enhanced powers and continue to pursue appropriate cases involving breaches of the Listing Rules by issuers, directors and/or other responsible parties, by holding to account those who break the Listing Rules or engage in misconduct.

## Disciplinary Action

86. Following an investigation and where disciplinary action is appropriate, the Committee will follow the Disciplinary Procedures, which were updated in 2021 and published on the HKEX website.
87. In 2022:
- (a) The Division commenced 33 disciplinary actions (as compared with 28 in 2021).
  - (b) Sanctions were published in respect of 29 concluded disciplinary actions (as compared with 35 in 2021).
88. As at 31 December 2022, there were 17 ongoing disciplinary cases (some under review) awaiting final outcome (as compared with 17 as at 31 December 2021).

## Sanctions

89. Following any disciplinary action, the Committee has the power to impose certain sanctions on relevant parties. During 2022, the Division obtained public sanctions in each of the concluded disciplinary cases that were dealt with by the Committee.
90. The collective and individual responsibility of directors continues to be a focus of the current enforcement regime. Directors are personally required both to comply with the Listing Rules and to procure Rule compliance by listed issuers.
91. The table below shows the Division's actions taken against directors in 2022. Out of the 160 sanctions imposed, 42 were "director unsuitability statements" or "prejudice statements" whereby, in addition to a public censure, the Committee made a statement of opinion regarding an individual's occupation of the position of director or senior management (as compared with 56<sup>20</sup> prejudice statements imposed against directors in 2021 and eight prejudice statements imposed against directors in 2020).

Number of directors subject to sanctions	2022	2021	2020
Executive directors	84	100	30
Non-executive directors	36	16	9
Independent non-executive directors	40	69	20
Total	160	185	59

92. In addition to issuing sanctions for breaches of the Listing Rules, the Division issued a number of directions requiring listed issuers and directors to take proactive remedial action to rectify breaches, improve internal controls and overall corporate governance.
93. Such directions included training requirements and the appointment of external experts to assist with control deficiencies and to provide compliance advice on an ongoing basis. The following table provides an overview of the number of cases in which various directions were obtained by the Division in 2022:

Number of cases involving	2022	2021	2020
"Internal Control Review" direction	4	6	2
"Retention of Compliance Adviser" direction	1	2	1
"Training of Directors" direction	21	21	5

20 The number of prejudice statements imposed against directors in 2021 should be 56, not 57 as previously disclosed.

## Settlement and Cooperation

94. Investigations and disciplinary actions can be disposed of by settlement as approved by the Committee. In 2022, the Committee and the Division noted an increased number of cases resolved by settlement, including cases where the parties involved accepted the sanctions proposed by the Division at an early stage (prior to the commencement of disciplinary action).
95. Where the terms of the settlement represent a fair overall regulatory outcome and achieve the Exchange's regulatory objectives, the Committee continues to welcome the efforts made by market users and the Division to bring about the settlement and agreed disposal of investigations and disciplinary matters in an appropriate manner (see the Statement on Settlement of Disciplinary Matters published on the Exchange's website).
96. The Division wishes to remind directors that there is a positive obligation on them to interact promptly and openly with the Division during the course of all interactions with it. Any failure to cooperate is unacceptable and will likely lead to the imposition of a severe public sanction. Such sanctions will be recorded by the Division and will be taken into account when determining that director's suitability to continue to act as director of the relevant listed issuer, or as new director of a listing applicant or another listed issuer.
97. As noted in paragraph 56 above, to provide greater clarity and transparency, the Exchange published a new Guidance Note on Cooperation in 2022.

## Interaction with Other Regulators

98. The Division refers the conduct of listed issuers and their directors that may give rise to suspected breaches of the law to the SFC and other law enforcement agencies (e.g. the Independent Commission Against Corruption and the Commercial Crime Bureau of the Hong Kong Police) as appropriate. It provides assistance by providing documents or information and witness statements (covering, amongst other things, technical advice on the application of the Listing Rules), to support prosecution proceedings.
99. During 2022, the Division provided continuing support to the SFC and other law enforcement agencies by dealing with 47 requests for documents or information and providing three witness statements (as compared 63 such requests and four witness statements in 2021).

## Enforcement News

100. The Division continues to publish Enforcement Bulletins relating to enforcement activity and specific focus areas which it considers to be of public interest.

## Review Meetings

101. During the year: (a) the Listing Review Committee considered 19 (2021: 37) requests for review; (b) the Listing Committee considered six (2021: 16) requests for review of decisions made by the Division; (c) no (2021: one) request for a review of a decision made by the Listing Committee itself; and (d) the Listing Appeals Committee did not consider any request for review (2021: four). 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 2022
Listing Review Committee	Listing Committee	Cancellation of listing	11	Upheld: 10 Remitted to LC: 1
		Suspension of trading	4	Upheld: 3 Overturn: 1
		Reverse takeovers	1	Upheld: 1
		Disciplinary sanctions	3	Upheld: 2 Overturn/modified: 1
Listing Committee	Listing Division	Failure to comply with Main Board Rule 13.24/GEM Rule 17.26 and suspension of trading	6	Upheld: 6

102. As at 31 December 2022, there were twelve cases under review as follows:

Appeal Committee	Decision made by	Nature of decision	Number of cases
Listing Committee	Listing Division	Failure to comply with GEM Rule 17.26 and suspension of trading	3
Listing Review Committee	Listing Committee	Cancellation of listing	8
		Disciplinary sanctions	1



# Policy Agenda for 2023 and Beyond

103. Highlighted below are those matters the Exchange currently plans to consider during 2023 and beyond:

## **Prospectus and listing process**

- Consultation Conclusions on Listing Regime for Specialist Technology Companies
- Review of GEM
- Optimisation of the IPO Price Discovery Process and Market Infrastructure
- Rule Amendments to Implement Changes to Hong Kong's IPO Settlement Process
- Review of Public Float Requirements

## **Structured Products**

- Review of the Listing Rules (Chapter 15A) for Structured Products

## **Ongoing obligations and other related matters**

- Consultation Paper on Review of the ESG Reporting Guide (Climate Disclosures)
- Consultation Conclusions on Proposals to Expand the Paperless Listing Regime and other Rule Amendments
- Consultation Paper on Proposed Rule Amendments Relating to PRC issuers

# Appendix 1

## Composition, Role and Operations of Listing Committee

### Members as at 31 December 2022

#### Chairman

POGSON Timothy Keith

#### Deputy Chairmen

BHATIA Renu

CHAN Kok Chung, Johnny

KEYES Terence Francois

#### Ex officio member

AGUZIN Nicolas

#### Other members (in alphabetical order)

CHAN Jeanette

CHENG Kin-Lung, David

CHIU Michael

CHUA Rebecca

CLARK Stephen John

DEMOPOULOS Frederick

EMSLEY Matthew Calvert

GAW Christina

LAU Pak Wai, David

LAU Paul

LEE Pui Hang Julian

LEUNG Pauline

LI Chun, Elsy

LI Lin, Lincoln

LILA Miron

LLOYD Victoria Sally Tina

MELLER Gillian Elizabeth

PU Hai Tao, Richard

SHAO Ying, Serena

SOON Y S Elizabeth

WOLHARDT Julian Juul

WONG Ka Shun, Christopher

WONG Yu Tsang, Alex

## Composition of Listing Committee

1. The Listing Committee consists of 28 members (or such greater number that the board of the Exchange shall agree) as follows:
  - (a) At least eight individuals whom the Listing Nominating Committee (**LNC**) considers will represent the interests of investors;
  - (b) 19 individuals whom the LNC considers will represent a suitable balance of representatives of listed issuers and market practitioners, including lawyers, accountants, corporate finance advisers, and Exchange Participants or officers of Exchange Participants; and
  - (c) The Chief Executive of HKEX as an ex-officio non-voting member<sup>21</sup>.
2. The Listing Committee has no staff and no budget. A fixed annual fee of HK\$150,000 is offered for regular Committee members, HK\$187,500 for the Deputy Chairmen and HK\$225,000 for the Chairman on account of their contribution to the Listing Committee.

## Role of Listing Committee

3. The Listing Committee acts both as an independent administrative decision maker and an advisory body for the Exchange. It has four principal functions:
  - (a) To oversee the Division (to the extent practicable given the Committee's mode of operation).
  - (b) To provide policy advice to the Division on listing matters and to approve amendments to the Main Board 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 for decisions made by the Division<sup>22</sup>.
4. The Listing Liaison Forum (**LLF**) provides a monthly forum for operational matters to be raised by the Chairman and Deputy Chairmen with the Chief Executive and the Head of Listing (and vice versa). This is part of the oversight of the Division by the Listing Committee. The LLF is not a forum for discussing substantive policy matters. In addition, on a semi-annual basis, the Committee's Chairman and Deputy Chairmen and the Head of Listing attend a meeting of the HKEX Board to communicate with the HKEX Board on the operation of the Division and the Listing Committee.

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

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

5. The Listing Operation Governance Committee (**LOG**) is a sub-committee of the HKEX Board to which the HKEX Board has delegated overall supervision and oversight of the operation and management of the Listing Division with the view to ensuring that it can perform the listing functions of the Exchange independently, prudently and competently, in the proper discharge of the Exchange's statutory duties as the front-line regulator of listed issuers. LOG meets at least four times every year. Additional meetings shall be held at the request of the chairman.
6. The LOG consists of at least five members comprising: (a) at least three non-executive directors appointed by the HKEX Board; and (b) the Chairman of Listing Committee and at least one Deputy Chairman of the Listing Committee. Please see the [HKEX website](#) for further details.
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 HKEX website.

### Operations of the Listing Committee

8. One of the principal items of business of the Listing Committee's regular meetings is considering whether or not to approve new listing applications for the Main Board and GEM. The Division may reject listing applications, but the power to approve such listing applications rests with the Listing Committee. Listing applications are considered on the basis of reports from the Division, which include a recommendation on whether or not to approve the application. In respect of each application considered by the Committee, it may approve the application, with or without the imposition of conditions, reject the application or defer a decision pending the submission of further information.
9. The power to approve the cancellation of listing of securities (**delisting**) rests with the Listing Committee. Main Board issuers may be delisted immediately or delisted if they fail to remedy issues and resume trading before the end of the remedial period specified in the delisting notice. They may also be delisted under Main Board Rule 6.01A. GEM Rules 9.14 to 9.18 deal with the delisting of GEM listed issuers.
10. The Listing Committee's approval is required to cancel the listing of a Main Board or GEM issuer. The Listing Committee's decision to delist a Main Board or GEM issuer may be subject to review by the Listing Review Committee.
11. At each regular meeting, the Division provides the Listing Committee with information on listed issuers whose shares have been suspended from trading since the last regular meeting of the Listing Committee. Each month, the Listing Committee receives an information paper on listed issuers whose shares have been suspended for a prolonged period. This forms the basis for a monthly update that is published on the HKEX website in respect of long suspended listed issuers.



12. 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. Nonetheless it is sometimes necessary for matters to be considered at regular meetings of the Committee. These items are normally in the nature of reporting back on minor revisions to policy previously agreed at policy meetings or amendments to the Listing Rules which have previously been approved at policy meetings that are minor in nature but which, nonetheless, require the Listing Committee's approval.
13. Disciplinary matters are generally dealt with at specially convened meetings of the Listing Committee. For contested disciplinary actions, written representations are central to the process. A typical case will involve one round of written submissions from the Division and from those alleged to have breached the Listing Rules (the listed issuer and/or its directors), with the Chairman having flexibility to allow additional submissions where it is considered appropriate. At the hearing, the Division and those against whom action is being brought are permitted to make oral representations to supplement their written submissions and Listing Committee members may ask questions of any party or its legal representative present at the meeting. The parties may thereafter make closing submissions.
14. For agreed disposals of disciplinary matters, a settlement proposal as agreed between the Division and the relevant parties is tabled before the Listing Committee at a meeting for the Committee to consider and, where appropriate, to endorse. All settlements are subject to the Committee's approval. All parties to a disciplinary action are invited to appear before the Committee to address any concerns which the Committee may have in respect of the settlement proposal, and the Committee may also ask questions of the parties present regarding the proposed settlement.

## Appendix 2

# Policy Development

### Policy Development Meetings

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. 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 policy meetings or amendments to the Listing Rules which had previously been approved at policy meetings that were minor in nature but which, nonetheless, required the Listing Committee's approval. Policy matters were considered at 11 meetings during the year.

### 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
27th January 2022 Regular meeting	<ul style="list-style-type: none"> <li>Information paper on review of issuers' annual report and other disclosure</li> </ul>
15th February 2022 Policy Meeting	<ul style="list-style-type: none"> <li>Review of 2018 Listing Reforms</li> <li>Update on ESG (Climate Disclosures) Initiatives 2022</li> <li>Information Paper on Consequential Rule Changes relating to SFC's Code of Conduct amendments</li> <li>Information Paper on Review of Material Lending Transactions by Listed Issuers</li> <li>Paper on Requirements for Valuation Reports for Notifiable Transactions by Listed Issuers</li> <li>Approach to enforcement, recommendations on sanctions and settlement etc.</li> <li>Periodic Update on Listing Committee's Oversight of Listing Division</li> </ul>
17th February 2022 Regular meeting	<ul style="list-style-type: none"> <li>Listing of Companies Incorporated in Malaysia</li> </ul>
5th May 2022 Regular meeting	<ul style="list-style-type: none"> <li>Disclosure of the Identities of Major Competitors in Listing Documents by Listing Applicants</li> </ul>
12th May 2022 Regular meeting	<ul style="list-style-type: none"> <li>Proposed Rule amendments relating to PRC issuers</li> </ul>

Date	Items
<b>22nd June 2022</b> <b>Policy Meeting</b>	<ul style="list-style-type: none"> <li>– Information Paper on Specialist Technology Listing Regime</li> <li>– Update on ESG Reporting (Climate Disclosures)</li> <li>– Information Paper on WVR Enquiries from January 2020 to May 2022</li> <li>– Draft Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers</li> <li>– Themes for Review of Issuers' Annual Report 2022</li> <li>– Rule Amendments following the Recent Changes in PRC Regulations and Other Proposed Rule Amendments relating to PRC issuers</li> <li>– Periodic Update on Listing Committee's Oversight of Listing Division</li> </ul>
<b>20th September 2022</b> <b>Policy Meeting</b>	<ul style="list-style-type: none"> <li>– Consultation Paper on a Listing Regime for Specialist Technology Companies</li> <li>– Update on (i) ESG Reporting (Climate Disclosures) and (ii) Director Training</li> <li>– Consultation Paper on proposals to expand the Paperless Listing Regime and other Rule amendments</li> <li>– Position Paper on the Obligations of Directors of a Listed Issuer and the Director's Undertaking</li> <li>– Guidance Note on Cooperation and Update to the Sanctions Statement</li> <li>– Pricing Flexibility Mechanism and Opt-in Arrangement</li> <li>– Proposed Framework For Granting Waivers for Automatic Share Programs conducted on behalf of Insiders</li> <li>– Periodic Update on Listing Committee's Oversight of Listing Division</li> </ul>
<b>6th October 2022</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>– Proposed consequential amendments to the Listing Rules to reflect the new trading fee schedule</li> </ul>
<b>20th October 2022</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>– Information paper on public float requirements at the time of IPO and as continuing obligations</li> </ul>
<b>27th October 2022</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>– Proposed (i) Rule Amendments Consequential on the Conclusions Paper to Modernise the IPO Settlement Process; (ii) Housekeeping Rule Amendments</li> </ul>
<b>17th November 2022</b> <b>Regular meeting</b>	<ul style="list-style-type: none"> <li>– General waiver from the additional connected transaction requirements under Rule 18B.56 for De-SPAC Transactions</li> <li>– 2022 Analysis of ESG Practice Disclosure</li> </ul>

## 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	
	2022	2021	2022	2021
Regular Meetings:				
– With regular business only	37	45	21.4	19.7
– With policy items	8	11	19.1	21.0
<b>Total</b>	<b>45</b>	56	<b>20.1</b>	19.9
Review Meetings (including Listing Committee reviews under old review regime)	6	17	5.8	5.9
Disciplinary Meetings	29	29	5.8	6.2
Policy Meetings	3	3	24.0	26.0
<b>Total</b>	<b>83</b>	105		

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

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

## Appendix 4

### Attendance at Meetings

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

Members	Nature of Meeting (Note 2)							
	Regular		Policy		Disciplinary		Review	
	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
<b>In office all year</b>								
Mr Keith Pogson	44/44	100%	3/3	100%	4/5	80%	2/2	100%
Ms Renu Bhatia	39/44	89%	3/3	100%	6/10	60%	1/1	100%
Mr Terence Keyes	43/44	98%	3/3	100%	7/7	100%	1/1	100%
Mr Johnny Chan	43/35	123%	3/3	100%	5/11	45%	2/2	100%
Mr Nicolas Aguzin (Note 3)	N/A	N/A	3/3	100%	N/A	N/A	N/A	N/A
Mr David Lau	31/23	135%	2/3	67%	8/20	40%	0/2	0%
Mr Julian Wolhardt	16/23	70%	3/3	100%	6/15	40%	0/3	0%
Mr Matthew Emsley	34/23	148%	3/3	100%	11/15	73%	2/4	50%
Mr Richard Pu	39/23	170%	3/3	100%	0/18	0%	0/4	0%
Mr Alex Wong	22/23	96%	3/3	100%	3/14	21%	2/2	100%
Mr Frederick Demopoulos	33/23	143%	3/3	100%	9/15	60%	3/4	75%
Ms Elsy Li	26/23	113%	3/3	100%	9/22	41%	2/2	100%
Ms Victoria Lloyd	30/23	130%	3/3	100%	7/13	54%	1/2	50%
Ms Elizabeth Soon	28/23	122%	2/3	67%	0/20	0%	0/3	0%
Mr Stephen Clark	39/23	170%	3/3	100%	13/14	93%	2/2	100%
Mr Paul Lau	41/23	178%	3/3	100%	6/11	55%	1/2	50%
Mr Lincoln Li	35/23	152%	1/3	33%	0/19	0%	1/4	25%
Ms Jeanette Chan	34/23	148%	1/3	33%	7/16	44%	1/2	50%
Mr Michael Chiu	45/23	196%	3/3	100%	11/13	85%	1/1	100%
Ms Rebecca Chua	40/23	174%	3/3	100%	1/17	5%	0/1	0%
Mr David Cheng	39/23	170%	3/3	100%	11/14	78%	3/3	100%
Ms Pauline Leung	42/23	183%	2/3	67%	12/14	86%	1/1	100%



Members	Nature of Meeting (Note 2)							
	Regular		Policy		Disciplinary		Review	
	Attended/ Pooled	%	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
<b>Appointed this year (Note 4)</b>								
Mr Miron Lila	13/12	108%	1/1	100%	3/7	43%	1/2	50%
Mr Christopher Wong	20/12	167%	1/1	100%	10/10	100%	1/1	100%
Ms Gill Meller	12/12	100%	1/1	100%	2/5	40%	1/1	100%
Ms Serena Shao	18/12	150%	0/1	0%	2/8	25%	0/1	0%
Ms Christina Gaw	14/12	117%	1/1	100%	1/7	14%	0/1	0%
Mr Julian Lee	15/12	125%	1/1	100%	5/8	62%	1/1	100%
<b>Retired this year (Note 5)</b>								
Mr Peter Brien	20/22	91%	2/2	100%	6/8	75%	1/1	100%
Mr Ronald Chan	11/12	92%	2/2	100%	3/8	38%	1/2	50%
Ms Clara Chan	10/12	83%	1/2	50%	2/12	17%	3/3	100%
Mr Arnout Van Rijn	18/12	150%	2/2	100%	5/8	63%	0/1	0%
Mr Charles Nixon	11/12	92%	1/2	50%	0/9	0%	0/1	0%
Mr John Wong	7/12	58%	1/2	50%	1/10	10%	0/4	0%

Notes:

- Percentage attendance at regular meetings is calculated based on actual attendance and the number of meetings that the member was pooled for (i.e. scheduled to attend) during the year in accordance with a pooling schedule. The Chairman and Deputy Chairmen are pooled to attend all regular meetings. Other members are pooled to attend approximately half of the regularly scheduled meetings. In all cases the number of meetings that a member is pooled for will be reduced by one if:
  - A meeting that the member is pooled for is cancelled;
  - The member is conflicted on all substantive matters to be considered at a meeting that the member is pooled for; or
  - The member is unable to attend due to illness.
- Percentage attendance at review and disciplinary meetings is based on the number of meetings a member was eligible to attend having regard to potential conflicts of interest and whether the member had attended the meeting reaching the decision that was being reviewed. Members' unavailability due to other commitments on a scheduled date has not been taken into account in the table above. Unlike regular meetings that are scheduled on the same day and at the same time every week, review and disciplinary meetings are scheduled on an ad hoc basis. Therefore, conflicts with members' other commitments are more likely as it is not possible for members to block out a regular time in their diaries to attend these meetings. Also, some review and disciplinary meetings have to be scheduled on short notice due to their nature. The Chief Executive Officer does not participate in review and disciplinary meetings.
- The HKEX Chief Executive Officer attends Committee meetings as a non-voting member representing the HKEX's board only where listing policy matters are discussed, and does not attend Listing Committee meetings on individual cases.
- Members were appointed on 8 July 2022.
- Members retired on 8 July 2022.
- For regular meetings and policy meetings, attendance includes remote participation by telephone/video-conferencing.

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