

1. Introduction

The Exchange proposes to introduce a new Chapter 3A to the Listing Rules on “Sponsors and Financial Advisers” and to invite comments from market participants prior to its adoption. The eventual implementation of Chapter 3A, together with the corresponding prescribed forms for sponsors under proposed Appendix 16 to the Listing Rules and the addendum to Appendix 8 to the Listing Rules on Listing Fees, Transaction Levies on New Issues and Brokerage, will be subject to approval by the Exchange Board and the Securities and Futures Commission (the “Commission”).

One of the primary objectives of Chapter 3A is to set a minimum and uniform standard among corporations and individuals who are engaged in, inter alia, sponsorship activities and the provision of corporate finance advisory services. This is to ensure that sponsors and financial advisers are competent and suitable to act for issuers and to deal with the Exchange on corporate finance issues and all matters relating to the Listing Rules. As well as upgrading the standards of these parties, the Exchange aims to relay to the market the level of standard and behaviour expected of sponsors and financial advisers.

Upon the adoption of Chapter 3A and the addendum to Appendix 8 mentioned above, appropriate corresponding amendments and cross references will be made to the Listing Rules. The major amendments to be made to reflect these changes are:

- (a) Chapter 3 — The references to Sponsors as set out under existing rules 3.01 to 3.04 of this chapter on Sponsors, Authorised Representative and Directors will be deleted from the Listing Rules.
- (b) Appendix 9 — This appendix on Model Code for Sponsors will be repealed in its entirety.

Your attention is also drawn to a concurrent market consultation by the Commission in relation to its Corporate Finance Adviser Code of Conduct that may be of relevance to your review of this Consultation Paper. For your information, the public consultation period for the Commission’s Corporate Finance Adviser Code of Conduct commences on 2 May, 2000 and closes on 31 May, 2000.

1.1 Origination of Proposed Chapter 3A

Sponsors

The Exchange considers that the majority of the proposed rules under Chapter 3A in relation to sponsors should be familiar to active market practitioners as they:

- (a) represent an extension of existing rules 3.01 to 3.04 and Appendix 9 to the Listing Rules on the Model Code for Sponsors which require a sponsor to ensure, inter alia, that it:
 - (i) has adequate resources to fulfil its role as a sponsor;
 - (ii) is capable of giving impartial advice to a new applicant before agreeing to accept the role; and
 - (iii) has satisfied itself that a new applicant is suitable for listing and that the directors possess the necessary skills and experience to carry out their duties and obligations as directors of a listed issuer;

- (b) represent a codification of the Exchange’s existing requirements and practices in relation to sponsors; and
- (c) substantially mirror the provisions set out in Chapter 6 of the GEM Listing Rules in relation to “Sponsors” in order to ensure that similar sets of standards are imposed on sponsors under both the Main Board and the Growth Enterprise Market (“GEM”) of the Exchange.

Financial Advisers

The existing rules are silent on the requirements for financial advisers appointed pursuant to the Listing Rules. The Exchange now proposes to lay down the qualification, eligibility criteria and responsibilities expected of financial advisers in order to impose a uniform set of standards for such parties. The Exchange considers that the introduction of these provisions is necessary to address concerns on the level of experience of financial advisers, whether a corporation or an individual, encountered by the Exchange in recent years.

1.3 Major New Provisions of Chapter 3A

The major new provisions in this chapter include:

- (a) the requirement for sponsors to be admitted to a list of sponsors (proposed rules 3A.07 to 3A.12) whose continued inclusion on the list will be reviewed by the Exchange from time to time (proposed rule 3A.37);
- (b) the minimum level of experience required of a sponsor firm and its employees and the minimum level of manpower are now stipulated under proposed rules 3A.17 to 3A.23;
- (c) the joint and several responsibility of all sponsors to a listing application as set out under proposed rule 3A.42;
- (d) the responsibility of a sponsor to manage the logistics of an initial public offering to ensure that such public offer is conducted in a fair, timely and orderly manner (proposed rules 3A.48 and 3A.49);
- (e) an issuer to retain the services of its sponsor for at least one year following its date of listing (proposed rules 3A.75 to 3A.79);
- (f) the introduction of new provisions relating to financial advisers as set out under proposed rules 3A.82 to 3A.97; and
- (g) the Exchange’s recourse to sanction sponsors and financial advisers for, inter alia, breaching their responsibilities under the Listing Rules (proposed rules 3A.98 to 3A.102).

Your attention is drawn to section 2 of this Consultation Paper for the commentary on these new provisions.

1.4 Consultation Period

The Exchange now invites market participants to submit written comments on the proposed introduction of Chapter 3A to the Listing Rules on Sponsors and Financial Advisers and the addendum to Appendix 8 on Listing Fees, Transaction Levies on New Issues and Brokerage. Comments should arrive no later than the close of business on 31 May, 2000.

Please send any comments, together with the sender's name, occupation and contact details, by mail or facsimile to:

Executive Director — Listing Division
The Stock Exchange of Hong Kong Limited
11 Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Facsimile number: (852) 2868 5028

and quote "Chapter 3A" on the envelope, where applicable.

Interested parties may also send their comments to the following e-mail address: listing@sehk.com.hk.

Additional copies of this consultation paper are available from the Exchange at the above address and from the Exchange's website at <http://www.sehk.com.hk>.

Note: The English version of this Consultation Paper shall prevail over the Chinese version of the same.