

Guideline Highlights

New Listing Application Vetting Initiatives

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Introduction

Since July 2002, the Stock Exchange has embarked on initiatives to simplify and streamline the new listing application process and to improve the quality of the vetting, with the intention to reduce the time required for processing a new listing application. This forms part of the Corporate Governance Action Plan of the Secretary for Financial Services and the Treasury for 2003 to upgrade the quality of the Hong Kong stock market.

Revised Guidance on New Listing Applications

As part of these initiatives, the Exchange has recently introduced a revised Guidance on New Listing Applications (the Guideline) for both Main Board and GEM new listing applicants.

While the Listing Rules have set out certain documentary requirements and submission procedures, the Exchange has in practice requested supporting information from sponsors, and where issues are identified, submissions from sponsors on those particular issues. The Guideline consolidates and sets out the information and documents normally required at each stage of the initial public offering vetting process, taking into account both the Listing Rules requirements and the supporting information generally requested by the Exchange. It is expected that this Guideline will assist sponsors to assemble information

required in a new listing application in an organised manner, and to submit all relevant information on a timely basis. At the same time, the Exchange will be in a better position to commence vetting of a new listing application.

Sponsor's Role in a New Listing Application

The streamlining process is intended to lead to considerably less detailed vetting of prospectuses by the Exchange, and a correspondingly greater reliance on the work of sponsors. This approach reinforces the need to ensure the highest professional standards and competence on the part of sponsors. Sponsors who meet these standards should benefit from more efficient service from the Exchange.

The Exchange expects sponsors to apply stringent criteria in selecting and bringing forward candidates suitable for listing, and to maintain a high standard of due diligence in preparing the new applicant for listing.

It is the experience of the Exchange that some sponsors have not been forthcoming in raising novel or contentious issues and borderline cases on interpretation of the Listing Rules with the Exchange on a timely basis. In part, an absence of clarity about which matters should be brought to the Exchange's attention may have contributed to this behaviour. To provide further guidance to sponsors, the Guideline contains a non-exhaustive list of potential issues

which should be raised with the Listing Unit at the initial stages of the listing application. It is the Exchange's view that early resolution of issues will greatly facilitate the listing process. In the Guideline the Exchange has again encouraged sponsors to make a submission to the Exchange on identified or potential issues at the time of submitting the new listing application.

Reorganisation of Listing Unit Executives

In addition, the Listing Unit executives within the Corporate Finance section have been reorganised into integrated teams. New listing applications are assigned to integrated teams within the Corporate Finance section, each of which is led by a senior executive and is responsible for all aspects of the listing process, including corporate finance matters, accountancy matters, prospectus vetting and authorisation for the purpose of Companies Ordinance registration. This integrated approach should help contribute to more efficient vetting of listing applications and other transactions.

It is clear that improving the efficiency of the vetting process requires concerted effort from all parties involved in the listing process. The Exchange is committed to an improvement in current arrangements and will maintain a dialogue with sponsors and others involved in the listing process to help refine its approach.