

**COMPARISON BETWEEN PROPOSED CHAPTER 3A OF THE LISTING RULES  
AND CHAPTER 6 OF THE GEM LISTING RULES ON SPONSORS**

<b>Rule</b>	<b>Proposed Rules on Sponsors</b>	<b>Rule</b>	<b>GEM Listing Rules on Sponsors</b>
	<b>General</b>		
3A.01	Sponsors must be appointed by new applicants seeking listings of equity securities, units in a unit trust or redeemable shares in a mutual fund.	6.01 (Note 2)	Does not specify when a sponsor is required to be appointed. However, Note (2) to this rule sets out circumstances under which new applicants are not required to appoint a sponsor.
	<b>List of Sponsors</b>		
3A.03	Prospective sponsors must be admitted to the Exchange's list of sponsors before being eligible to act as sponsors.  Where a sponsor cannot fulfil the provisions of proposed rule 3A.17, it may only act in the capacity of a co-sponsor.	6.04	Similar provisions
3A.04	Continued eligibility of admitted sponsor to be reviewed on an annual basis.	6.05	Similar provisions
3A.05	Discretion afforded the Exchange on admission criteria and conditions.	6.06	Similar provisions
3A.06	List of principles the Exchange will take into consideration when assessing a sponsor's application for admission to the list of sponsors.	6.07	Similar provisions
	<b>Application Procedure</b>		
3A.07	Completion of prescribed form and submission of relevant fee and documentation for admission to the list of sponsors.	6.08	Similar provisions
3A.08	A sponsor must provide details of, inter alia, any public censorship against it, its employees or Sponsor Group.	6.19 (Note 1)	Similar provisions

<b>Rule</b>	<b>Proposed Rules on Sponsors</b>	<b>Rule</b>	<b>GEM Listing Rules on Sponsors</b>
3A.09	A publicly censured sponsor within the past 5 years is unlikely to be suitable for admission to the list of sponsors.	6.19 (Note 2)	Similar provisions
3A.10	Decision to approve or reject an application vested with the Listing Committee or an appropriate body within the Exchange. Sponsor may be requested to attend for interview.	6.09	The same provisions except vested with the GEM Listing Committee.
3A.11	Exchange's discretion whether to admit a sponsor.	6.10	Similar provisions
3A.12	Warning statement that the Exchange does not guarantee the quality or performance of the admitted sponsor.	6.11	Similar provisions
	<b>Basic Qualification and Eligibility Criteria</b>		
3A.14	A Sponsor must:  1. Be a limited company 2. Properly licensed by the Commission 3. Meet the financial criteria set out in proposed rule 3A.16 4. Possess adequate experience and expertise 5. Fulfil the Exchange's requirements in relation to sponsors	6.12 6.13 6.14	Similar requirements  However, the registration requirements of rule 6.13 has been drafted more broadly in proposed rule 3A.14(2) to reflect impending changes on licensing requirements.
3A.15	A sponsor must have relevant corporate finance experience (as defined in note (1) to proposed rule 3A.08)	6.14(2)	Similar definition
3A.16	Sponsor's capital requirement:  (1) Paid up share capital and/or non-distributable reserves of at least HK\$10 million and a NTA value after MI of at least HK\$10 million. (2) Exchange may accept a guarantee from a company within the Sponsor Group.	6.15	Similar requirements
3A.17	Sponsor's minimum experience:  (1) As a full sponsor to 2 IPO transactions on the Main Board or GEM over the past 5-year period; or (2) As a co-sponsor to 3 IPO transactions on the Main Board or GEM over the past 5-year period,  with one of such sponsoring during the year before application.	6.14 Note 1	Similar provisions except the GEM Listing Rules do not require one such sponsoring during the year before application.
3A.18	Staffing levels per firm	6.16 6.17	Similar provisions

<b>Rule</b>	<b>Proposed Rules on Sponsors</b>	<b>Rule</b>	<b>GEM Listing Rules on Sponsors</b>
3A.19	Lead sponsor must be able to satisfy the provisions under this rule.		No specific provision. However, rules 6.51 and 6.59 provide that only one of the sponsors to a listing application should be principally responsible for communicating with the Exchange.
3A.20	Number of Principal and Assistant Supervisors required per listing application	6.49	Similar provisions. However, GEM does not restrict the maximum number of new applications a Principal or Assistant Supervisor must be engaged on.
3A.21 3A.22	Principal Supervisor - definition Assistant Supervisor - definition	6.16 6.17	Similar requirements. However, GEM recognises overseas experience.
3A.23	Further provisions on Principal and Assistant Supervisors	Notes to 6.16 and 6.17	
3A.24	Principal Supervisors to supervise Assistant Supervisors		Nil
3A.25	Sponsor to have appropriate internal controls and clear reporting lines	6.18	Similar provisions. In addition, internal controls to be kept up to date in writing.
	Nil	6.14(4)	<b><u>Other issues</u></b> GEM is prepared to accept a sponsor where it does not possess the experience required under rule 6.14 but is a member of a group which does.
	Nil	6.14(5)	GEM recognises IPO experiences gained from other stock exchanges.
	<b>Independence of Sponsors</b>		
3A.26	Sponsor to be capable of giving the new applicant impartial advice before accepting the role	6.34	Similar provisions
3A.27	A list of circumstances that may give rise to concerns on a sponsor's independence.	6.34 (Note 1) 6.35 (Notes 1 and 2)	GEM Listing Rules do not have similar detailed provisions. However, under Note 1 (a), a sponsor may not be involved in accounting matters relevant to the new applicant or be the legal advisers to the new applicant and, under Note 1 (b), a sponsor may hold options and enter into success fee arrangements with the new applicant.
3A.28	A sponsor must have an effective system of barriers (Chinese Wall) among the various departments of the Sponsor Group		Nil
3A.29	Disclosure of sponsor's interests in the new applicant in the listing document	6.35 (Note 2) 6.36	Similar provisions

Rule	Proposed Rules on Sponsors	Rule	GEM Listing Rules on Sponsors
	<b>Continuing Requirements</b>		
3A.30	Sponsor must continue to satisfy all eligibility criteria	6.20 6.28(1)	Similar provisions
3A.31	Continuing compliance requirements for Principal and Assistant Supervisors.	6.33	Similar provisions
3A.32	Maintenance of capital requirement as set out under rule 3A.16	6.21	Similar provisions
3A.33	List of events to be notified to the Exchange immediately upon their occurrence, including: <ul style="list-style-type: none"> <li>1. no longer able to satisfy the eligibility criteria;</li> <li>2. changes to the information provided to the Exchange upon admission to the list of sponsors;</li> <li>3. the sponsor and its staff cease to be licensed or are charged with indictable offences, censured or fined; and</li> <li>4. Insufficient manpower.</li> </ul>	6.22	Similar provisions
3A.33 (Note 2)	Reference to circumstances under which a sponsor may not take on additional sponsorship activities	6.24	Similar provisions
3A.34	Principal and Assistant Supervisors must update the Exchange on any material adverse change to particulars previously provided.	6.32	Similar provisions
3A.36	Circumstances resulting in removal of a sponsor from the list of sponsors: <ul style="list-style-type: none"> <li>1. no longer continues to satisfy the eligibility criteria;</li> <li>2. failure to fairly disclose information;</li> <li>3. breach or failure to discharge its responsibilities or obligations; and</li> <li>4. impairment of the integrity or reputation of the Main Board</li> </ul>	6.28	Similar provisions
3A.37- 3A.38	Exchange's discretion to include or remove a sponsor from the list of sponsors and to conduct a review of the sponsor at any time.	6.28 6.30	Similar provisions
3A.39	Sponsor's rights to appeal to the Listing Appeals Committee should the Exchange decide to remove it from the list of sponsors.	6.31	Similar provisions

Rule	Proposed Rules on Sponsors	Rule	GEM Listing Rules on Sponsors
	<b>Co-sponsorships and Additional Sponsors</b>		
3A.40	Only one sponsor to be principally responsible for communicating with the Exchange.	6.59	Similar requirement
3A.41	Each of the sponsors to a listing application must sign submissions made to the Exchange.	6.59 (Note 1)	Similar requirement
3A.42	All sponsors to a listing application must assume joint and several responsibility for accuracy and completeness of information provided.		No specific provision
3A.43	Provision to ascertain whether a sponsor is assuming the title of a lead sponsor (as defined in rule 3A.19) in name only.		Nil
3A.44	Need for re-submission of advance booking form and new initial listing fee if an additional sponsor is appointed during the process of an application.	6.64	Similar provisions
3A.45	Only one sponsor need be retained over the Fixed Period to give on-going corporate advice to the listed issuer.	6.59 (Note 2)	Similar provisions
	<b>Responsibilities of the Sponsor</b>		
	<u>Responsibilities owed to the Exchange</u>		
3A.47	Sponsor to designate 2 of its executive directors to address matters concerning the sponsor	6.25	Similar provisions
3A.48	A sponsor must make appropriate arrangements to ensure an orderly market during the offer period of the IPO.		Nil
3A.49	Provisions sponsors should have regard to in discharging its duties under proposed rule 3A.48		Nil
3A.50- 3A.54	A sponsor must: <ul style="list-style-type: none"> <li>- make due and careful enquiry</li> <li>- deal with the Exchange</li> <li>- accompany the new applicant to meetings with the Exchange</li> <li>- be closely involved in preparation of listing documents</li> <li>- provide information on a timely basis</li> <li>- satisfy itself that a new applicant is suitable for listing</li> </ul>	6.57(d) 6.44 6.40 6.45 6.27 6.47 (2)(a)	Similar provisions

<b>Rule</b>	<b>Proposed Rules on Sponsors</b>	<b>Rule</b>	<b>GEM Listing Rules on Sponsors</b>
3A.55	Sponsor to obtain written confirmation from the new applicant that financial information published in the listing document has been properly extracted.		Nil
3A.56	Sponsor to ensure all material information is included in an advanced proof of the listing document. Exchange reserves the right to return the advance booking form if this is not satisfied.		No specific provisions
3A.57	No material changes should be made to the advanced proof. Otherwise, the listing timetable may be delayed.		Nil
3A.58	A sponsor has a duty to ensure that there is no unauthorised publication or leakage of information on a new applicant. Failure to comply may result in a delay in the listing timetable.	6.46	Similar provisions. However, GEM specifies a delay of a minimum of 1 month or the rejection of the listing application.
3A.59	No unauthorized dealings by a sponsor	6.43	Similar provisions
3A.60	An advanced proof of a listing document must be verified by the sponsor and all other advisers concerned.	6.45	Similar provisions
3A.61	Upon completion of in-house due diligence questionnaire on new applicant, the respective heads of the sponsor's compliance and corporate finance departments must sign and submit a confirmation of compliance to the Exchange.		Nil
3A.62	A sponsor must be satisfied that the new applicant has established proper accounting & MIS		No specific provisions
3A.63	A sponsor must be satisfied with the basis of preparation for a profit forecast or estimate.  Where there is no profit forecast or estimate, the sponsor and the underwriters must undertake not to include such information in their brokerage reports.		Nil
3A.64	Documents and declarations to be provided by a sponsor to confirm, inter alia, that the new applicant is suitable for listing	6.47- 6.48 6.57	Similar provisions

Rule	Proposed Rules on Sponsors	Rule	GEM Listing Rules on Sponsors
3A.65	Working papers to be kept for at least 6 years.	6.42	Similar provisions
3A.67-3A.69	<b>Responsibilities between and among Co-sponsors</b>	6.59-6.60	Similar provisions
3A.70	<b>Responsibilities between sponsors and other professional advisers</b>  <b>Responsibilities between sponsors and directors of a new applicant</b>  A sponsor must:		No specific provisions
3A.71	1. provide guidance to the new applicant over the course of the listing process.	6.39	Similar provisions
3A.72	2. not place unsubstantiated reliance on information provided by directors of a new applicant.		Not specified
3A.73	3. certify it has read the directors' forms of declaration and undertaking.	6.41	Similar provisions
3A.74	4. explain to the directors their obligations and responsibilities.	6.47(3)	Similar provisions
	<b>One-year Continuing Sponsorship</b>		
3A.75	A listed issuer must retain the services of its sponsor for at least 1 year following its date of listing (the "Fixed Period")  Nil	6.01  6.66	Similar provisions but sponsor to be retained, pursuant to a contract over the remainder of the financial year during which the listing occurred and 2 financial years thereafter.  Sponsors admitted on GEM's list of sponsors may use the term "GEM-registered sponsor" on its business documentation.
3A.76	Sponsors retained over the Fixed Period must continue to satisfy the capital requirements set out under proposed Rule 3A.16	6.29	Similar provisions
3A.77	At least one Principal Supervisor and one Assistant Supervisor to give on-going advice to the listed issuer over the Fixed Period.  List of responsibilities of a sponsor over the Fixed Period.	6.50-6.56 6.60	Similar provisions
3A.78	Sponsor must notify the Exchange of any subsequent changes to a director's declaration and undertaking.		No specific provisions

<b>Rule</b>	<b>Proposed Rules on Sponsors</b>	<b>Rule</b>	<b>GEM Listing Rules on Sponsors</b>
	<b>Termination of the Sponsor's Role</b>		
3A.80	Any termination by the sponsor of its role or resignation by the sponsor must be notified to the Exchange immediately.  Nil	6.61  6.63	Similar provisions  However, under rule 6.63, the new applicant must make an announcement on the termination or resignation of a sponsor and to appoint a replacement sponsor within 3 months.
3A.81	New advance booking form and initial listing fee to be submitted if services of sponsor terminated during the processing of a listing application.	6.64	Similar provisions
	<b>Sanctions against Sponsors</b>		
3A.98	Sponsor to be referred to the Listing its Committee or an appropriate body within the Exchange for any breaches of its responsibilities under the Listing Rules.	6.67	Similar provisions
3A.99	List of possible sanctions against a sponsor, whether a corporation or an individual.	6.67	Similar provisions
3A.101	Sanctioned sponsor may request an appeal on any sanctions imposed against it.	6.68	Similar provisions
3A.102	May not be involved in any sponsorship or advisory activities for a period of one year.		Nil