



香港聯合交易所
The Stock Exchange of Hong Kong

NEWS RELEASE

December 1, 1998

**The Exchange targets the opening
of a GEM for fourth quarter of 1999**

The Stock Exchange of Hong Kong has targeted the fourth quarter of next year for the opening of a Growth Enterprise Market (GEM).

Dr. K. S. Lo, Chairman of the GEM working group said the Exchange hoped to complete drafting the rules, putting in governance structure and trading mechanism within eight to ten months.

“GEM will be an alternate market, but with equal standing to the Main Board,” Dr. Lo said. “It will have its own separate management and listing rules.

“Sponsors, rather than the Exchange, will be responsible for IPO disclosure and the Exchange will make no assessment of the commercial viability of applicants for listing.

“Trading will initially be electronic and scripless, based on automatic order matching. Pending implementation of AMS/3, trading will be based on the Single Price Auction method. After further study, the Exchange may allow trading in US dollars,” Dr. Lo said.

He said applicants would require to have a two-year business record, but there would be no profit requirement.

“The minimum public float will be the higher of ten per cent of issued share capital or HK\$30 million. There will be a two-year moratorium on share disposal by management shareholders, and one year for strategic investors.

“Listed companies will require to submit quarterly reports, which may be unaudited. Corporate governance requirements will include the appointment of an audit committee, a qualified accountant and at least two independent directors. Compliance will be strictly monitored and penalties for non-compliance will be high,” Dr. Lo said.

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He said sponsors would have to meet detailed eligibility criteria before appointment.

“Underwriting of IPOs will not be compulsory as sponsors will undertake full responsibility for the listing applicant at the IPO phase. Sponsors will take on an advisory role for two financial years after listing,” the spokesman said.

He said the target of the GEM was growth companies seeking funds for development and expansion.

“Investors in these companies may need to exercise patience as it may take longer for them to realise the benefits of their investments.

“The Exchange is seeking to create a market for informed investors, which is why it has proposed a minimum transaction size of HK\$50,000 in order to deter uninformed investors and stock ramping.

“Developing an effective GEM for Hong Kong, Mainland and Taiwan's medium sized companies offers valuable economic benefits, and will secure Hong Kong's position as the pre-eminent market for such enterprises,” Dr. Lo said.

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For enquiries, please contact Henry Law, Director, Corporate Communications Department on 2840 3862.

Corporate Communications Department