



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

NEWS RELEASE

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**The Stock Exchange publishes
Growth Enterprise Market listing rules**

The Stock Exchange of Hong Kong today (Thursday, July 22) published the listing rules for its Growth Enterprise Market (GEM), which it aims to launch in October.

Alec Tsui, chief executive of the Exchange, told a news conference that the members of the GEM Listing Committee will have been appointed by the middle of next month.

“GEM will start to accept applications from sponsors once the Listing Committee is appointed. A sponsor must be registered with the SFC as an investment adviser or securities/exempt dealer. It must have acted as lead sponsor on two IPOs, or co-sponsor on three IPOs during the past five years.

“In addition, it must have two experienced principal supervisors and two experienced assistant supervisors, and capital or reserves of at least HK\$10 million.

“The Exchange expects to announce the first batch of GEM sponsors in mid-September. Applications for listing are expected after the sponsor list is published, and the first listing is expected before the end of the year,” Mr Tsui said.

Dr. K. S. Lo, Chairman of the GEM Working Group stressed that GEM was of equal standing to the existing stock market, with an emphasis on growth enterprises. “Differences between the two markets are reflected in their listing requirements,” he said.

“GEM will have a disclosure based regime, compared with the combined merit and disclosure based approach of the existing market. There will be no profit requirement for listing, and GEM applicants will only have to show a two year business history. However, the reporting accountant will be required to report on the financial results for the two years prior to listing.

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“Listing applicants will have to give a more detailed explanation of their past business and future business objectives. They will be required to report quarterly and their business progress during the first two years after listing will be compared with their stated business objectives.

“GEM will be run on the basis of: *let the buyer beware*. GEM listing applicants will have to give prominent risk warnings and investors will be required to sign a risk acknowledgement statement.

“Companies incorporated in Hong Kong, China, Bermuda and the Cayman Islands may apply for listing on GEM. They should have a focussed business and have been under substantially the same management and ownership for two years.

“They must have two independent non-executive directors, an audit committee, a full-time qualified accountant and a designated compliance officer.

“The minimum public float will be the higher of HK\$30 million or 20 to 25 per cent of issued share capital depending on market demand. Underwriting will not be compulsory and the issuer will be free to decide on the offering mechanism. A minimum of 100 public shareholders is required.

“Management and significant shareholders must hold at least 35 per cent of the issued share capital at the time of listing. Management shareholders may not dispose of their shares for at least two years, and significant shareholders for six months, after listing. The company will retain its sponsor for two years after listing,” Dr. Lo said.

Copies of the GEM Listing Rules will be on sale next week at the Exchange sales counter, Exchange Square, and available on the GEM website, (<http://www.hkgem.com>), as well as the Exchange website (<http://www.sehk.com.hk>).

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