



香港交易所

## THE STOCK EXCHANGE OF HONG KONG LIMITED

*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

NEWS RELEASE

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### ANNOUNCEMENT

#### **Involvement of accounting firms as co-sponsors and reporting accountants in the same listing applications on the Main Board and the Growth Enterprise Market**

The Stock Exchange of Hong Kong Limited ("The Exchange") wishes to clarify its practice with regard to the involvement of accounting firms as co-sponsors and reporting accountants in the same listing applications on the Main Board and the Growth Enterprise Market. The Exchange may in certain circumstances permit the corporate finance and audit operations of an accounting firm to be involved as a co-sponsor (but not as a sole sponsor) and the reporting accountant respectively in the same listing application, subject to conditions which the Exchange may impose as appropriate. Such permission is to be granted by the Exchange on a case-by-case basis.

The Exchange Listing Rules of the Growth Enterprise Market will be amended to reflect this clarification. No amendment to the Exchange Listing Rules of the Main Board is, however, required in respect of the clarification.

The Exchange considers that the involvement of the corporate finance and audit operations of the same accounting firm in the same listing application gives rise to a potential conflict of interest. In light of this, the Exchange does not consider it appropriate that the corporate finance operation of an accounting firm should act as a sole sponsor in a listing application, in which the audit operation of the accounting firm is involved as the reporting accountant.

The Exchange may, however, in certain circumstances permit the corporate finance and audit operations of an accounting firm to be involved as a co-sponsor (but not as a sole sponsor) and the reporting accountant respectively in the same listing application. The responsibilities of sponsors and co-sponsors in relation to new listing applications, as set out in the respective Exchange Listing Rules of the Main Board and the Growth Enterprise Market, are not affected by the granting of such permission. The Exchange considers that the roles of the corporate finance and audit operations of an accounting firm in a new listing application should be clearly segregated. Such segregation should comprise "Chinese walls" between the respective functions and should be enforced through proper internal risk management procedures within an accounting firm.

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Any permission granted by the Exchange is subject to the following conditions:

- (a) the corporate finance operation of the accounting firm does not act as an under-writer;
- (b) the corporate finance operation of the accounting firm does not take part in marketing or promotion of the listing applicant or its securities; and
- (c) the Exchange is satisfied that there is adequate segregation of roles between the corporate finance and audit operations of the accounting firm.

The above conditions are not necessarily exhaustive and the Exchange may impose other conditions as appropriate.

Such permission is to be granted by the Exchange on a case-by-case basis.

The Exchange Listing Rules of the Growth Enterprise Market will be amended to reflect this clarification. No amendment to the Exchange Listing Rules of the Main Board is, however, required in respect of the clarification.

The revised GEM Listing Rules will be available for viewing on Hong Kong Exchanges and Clearing Limited's websites at <http://www.hkex.com.hk> and <http://www.hkgem.com> from 12 December 2001.

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