

New listing package to enhance competitiveness of HK financial market

A restructured listing framework with an integrated Listing Committee, streamlined listing process and strengthened back-end enforcement will be introduced to enhance Hong Kong's position as a premier capital formation centre and its status as an international financial centre.

"The Administration, the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEx) have reached consensus on a three-pronged programme to further enhance the quality and competitiveness of our market," the Secretary for Financial Services and the Treasury, Mr Frederick Ma, told a press conference today (July 24).

The three-pronged programme covers:

- Establishment of an integrated Listing Committee with remit to decide on Main Board and GEM listings and delistings. The Committee will have broadly based participation of market users including issuers, intermediaries and investors.
- Streamlined listing process administered by high calibre experts with overseas experience. Senior executives will vet all applications to identify key issues. This will shorten approval time and help reduce the overall listing costs.
- Strengthened back-end enforcement of disclosure requirements to ensure quality of information under the streamlined regime.

The new Listing Committee will start operation from January 1, 2003.

"The restructured listing framework will provide effective checks and balances, alleviate concerns of conflict of interests, and conducive to market development. We are confident that the new measures will improve the quality of listed companies and strengthen Hong Kong's position as a premier capital formation centre in the region. We intend to review this new framework in about two years' time," Mr Ma said.

"Given the market environment, we also attach utmost importance to upgrading the corporate governance standards in Hong Kong," he said.

"I am glad to note the consensus reached by SFC and HKEx to put forward the nomination of Messrs. Marvin Cheung Kin-tung, Moses Cheng Mo-chi and Vernon Francis More as candidates for the Chairmanship and Vice Chairmanship of the Listing Committee under the new framework," he added.

Speaking on the new listing framework, HKEx Chairman Mr Charles Lee said the new Listing Committee would consist of 24 - 30 independent members broadly based and representative of issuers, financial intermediaries and investors to be nominated by a Nomination Committee. The Chief Executive of HKEx will also be an ex-officio member of the Listing Committee to be supported by an integrated listing division of the HKEx.

Decisions of the Listing Committee are subject to appeal to a Listing Policy and Appeals Committee on specified grounds. A Disciplinary Appeals Committee will also be formed to hear appeals against disciplinary decisions. Both appeals committees will consist of two non-executive directors of HKEx and 10 - 13 independent members with broad representation.

In addition to the proposed new governance structure, Mr Lee said initiatives would be taken by the HKEx in the next few months to streamline the listing process and improve the quality of vetting. Under the streamlined process, senior executives of the Listing Division will vet all applications up-front to identify key issues. The Listing Division will focus on the administration of the Listing Rules while the listing applicants and their sponsors should assure the standard and the quality of the prospectus and related documents.

"The new approach is built on strengthened back-end enforcement. The guiding principle is that it is the responsibility of the listing applicants and their professional advisers to ensure full and proper disclosure of all material aspects of the listing applicant and its business and the associated risks. The clarification of the division of responsibilities between the Listing Division and the listing applicants and their sponsors regarding quality of the prospectus will contribute to the healthy development of the securities market in Hong Kong," Mr Lee said.

The new streamlined approach will reduce the time for bringing a listing application to the Listing Committee, and in turn help reduce the costs of listing.

The implementation of the new listing process requires support from market participants. The Listing Division will review the effectiveness and, if necessary, fine tune the process after 12 months of its full implementation.

In relation to back-end enforcement, SFC Chairman Mr Andrew Sheng said: "In a securities market that is disclosure based, and where investor protection is centred on the reliability of what issuers disclose, it is unequivocally the responsibility of companies and their advisers, and in particular listed company sponsors, to ensure compliance with the rules and to ensure the quality of disclosure."

"With a clearer alignment of responsibilities under the new system, credible enforcement of our disclosure rules becomes of prime importance, hence the proposals announced on 6 May 2002 to firmly establish the Securities and Futures Commission as the statutory regulator of corporate information disclosure," he added.

"The Commission will not hesitate to use the full range of enforcement options available to it under the new Securities and Futures Ordinance in order to tackle false or misleading disclosure by listed companies," Mr Sheng pledged.

Key elements of the new listing package and two flow charts on the proposed listing structure and listing process are at appendix.

End/ Wednesday, July 24, 2002

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Key elements of listing measures

(a) Organisational Improvement

- New Listing Committee with remit to decide on Main Board and GEM listing applications and delistings – members broadly based and representative of market users including issuers, intermediaries and investors; conducive to quality assurance with appropriate checks and balances.
- Establishment of new HKEx Listing and Adjudication divisions operating integrated transaction teams with streamlined regulatory systems.
- All decisions under the Listing Rules except listing approval and delistings made by the Listing and Adjudication Divisions, with right of appeal to Appeals Committees with quality, experienced representation of market users.

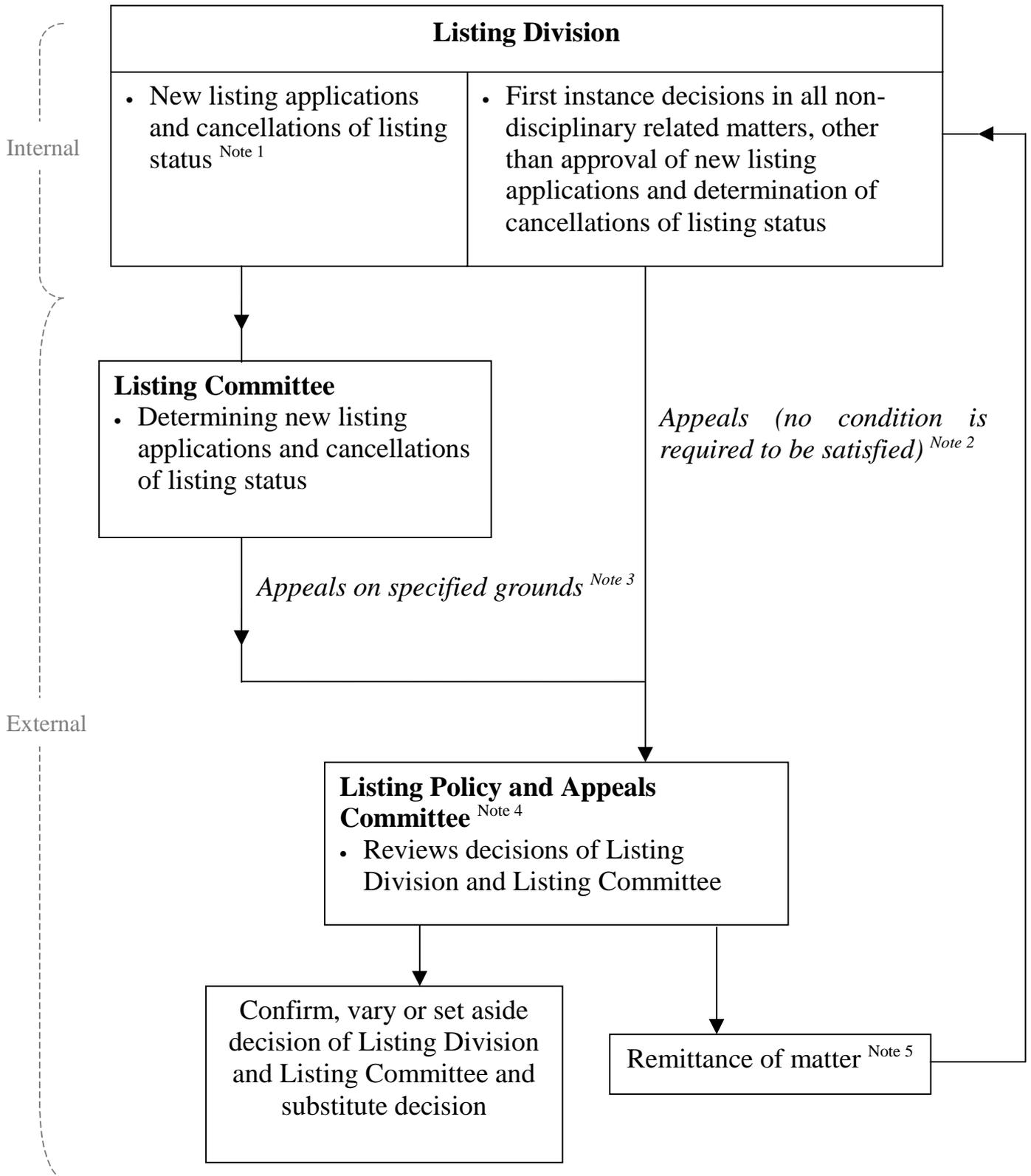
(b) Process Change

- Streamlined Listing process
 - Senior staff of HKEx Listing Division to screen applications up-front. Focus on principal and substantive issues.
 - Quality, timely documentation will ensure efficient application process.
 - Substandard documentation will lead to rejection or delay.

(c) Back-end enforcement and corporate governance

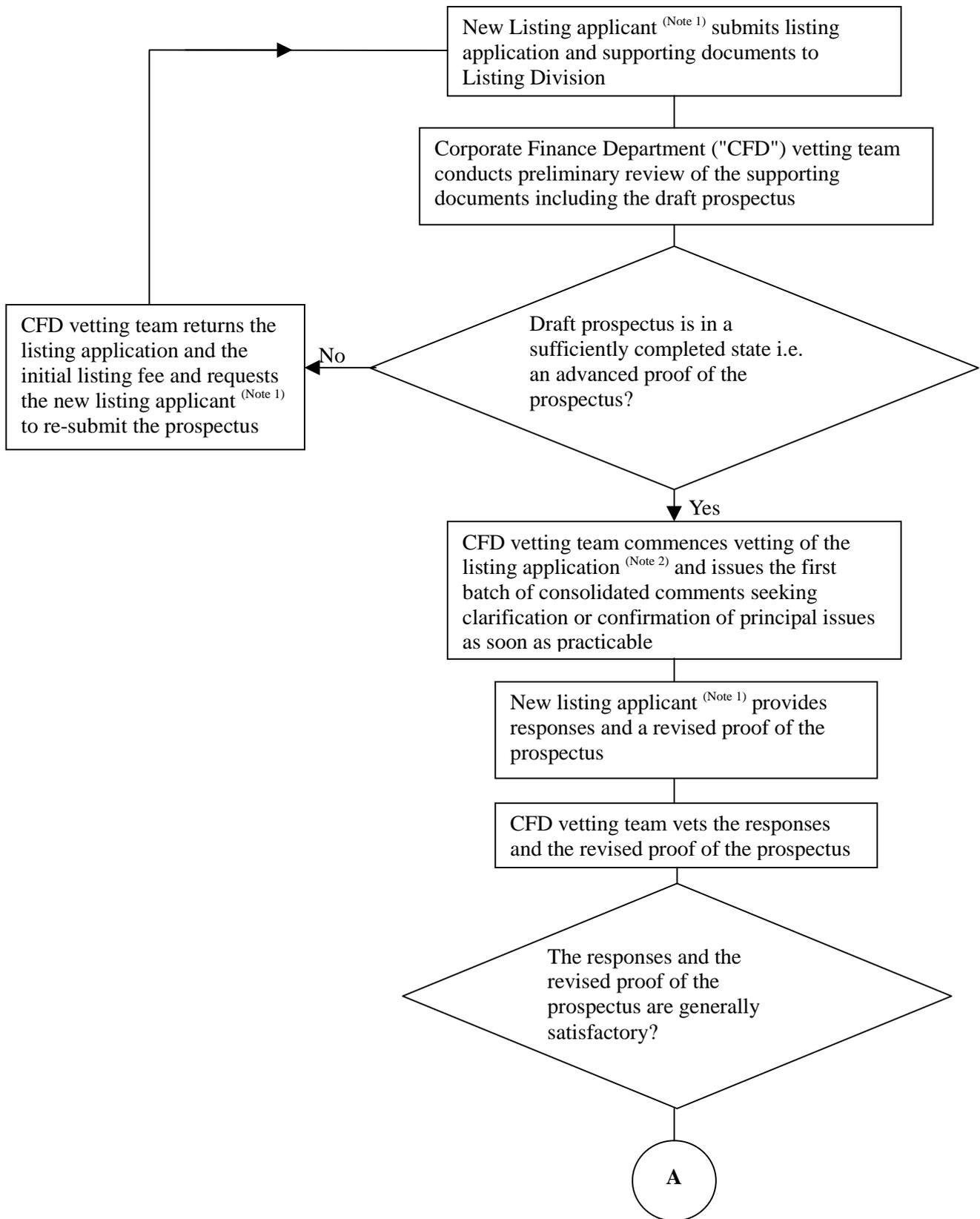
- Directors and Sponsors will be responsible for assuring the quality of disclosure.
- Under the dual filing proposals announced on 6 May, the SFC, as the statutory disclosure regulator, will be involved directly in the listing process in order to check disclosure standards, but this will not result in any additional compliance burden.
- Dual filing of all IPO and post-IPO disclosure documents with the SFC will trigger robust SFC enforcement action under new SFO powers if investors are misled.
- SFC's Corporate Finance Adviser's Code of Conduct will be enforced under the new SFO licensing regime in cases where high standards are not maintained by sponsors.
- HKEx will revise the relevant Listing Rules to implement a package of measures to improve corporate governance of listed companies by end 2002 and consult the market on continued listing criteria shortly.

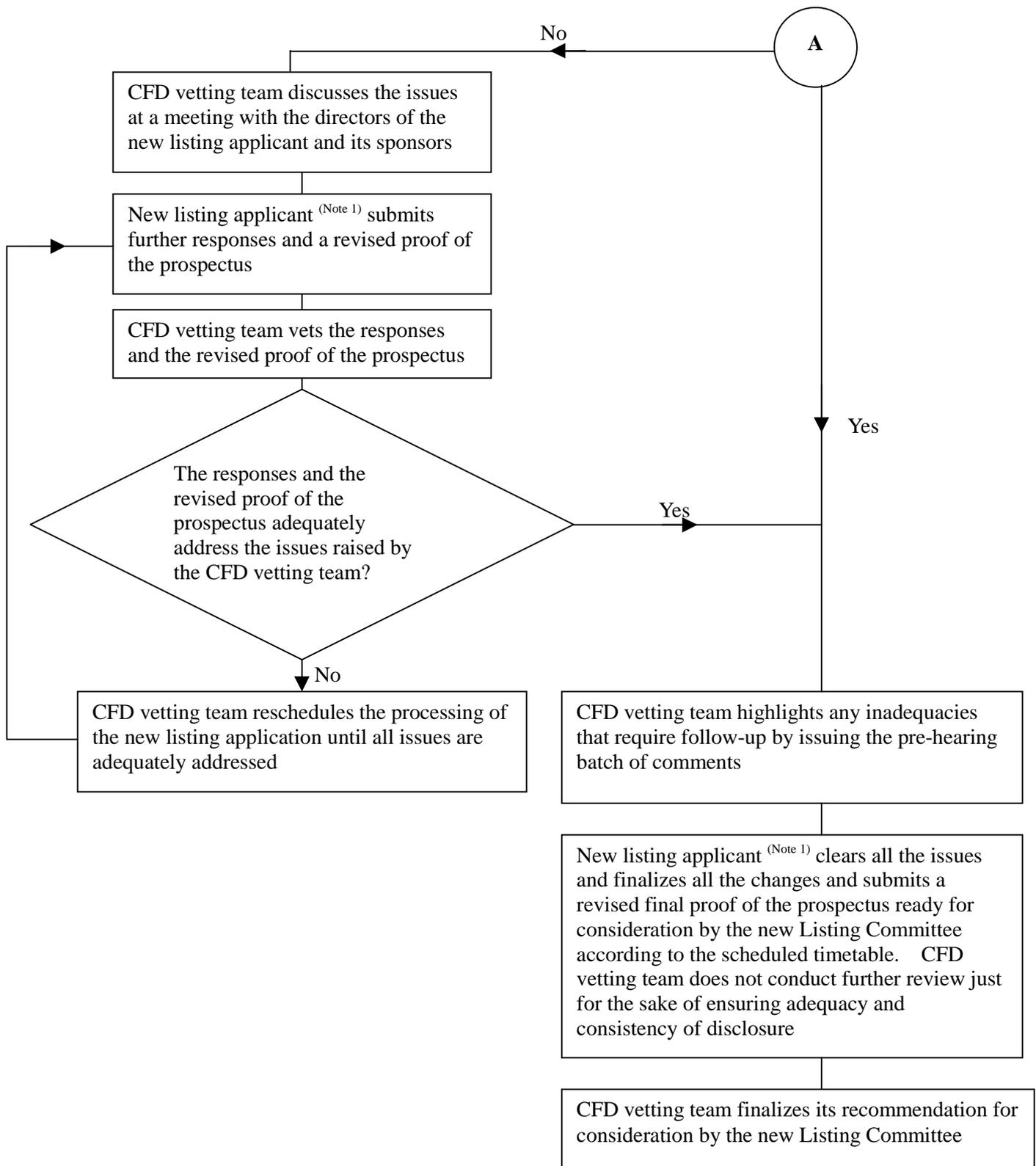
Process overview in relation to non-disciplinary related listing matters after incorporating the proposed changes



- Note 1 : A Listing Committee will be established for the purposes of determining new listing applications and cancellations of listing status. The Listing Committee will consist of the Chief Executive of HKEx (with the Head of Listing, Regulation and Risk Management Functional Unit acting as his alternate) and 24 to 30 other independent members with broad representation from issuers, financial intermediaries and the investing public. All independent members are to be nominated by a Nomination Committee. An independent member will be appointed as the chairman of the Listing Committee. The quorum of the meeting of the Listing Committee is five.
- Note 2 : Appeal is as of right (no pre-requisite condition is required to be satisfied) and subject to a review fee. Any party in respect of whom a decision has been made by the Listing Division may request for appeal. A decision by the Listing Division can be reviewed only once by the Listing Policy and Appeals Committee. Appeals are conducted by oral hearing only.
- Note 3 : Appeal is subject to proof of specified grounds and to a review fee. Any party who is the subject of a decision of the Listing Committee may request for appeal, provided specified grounds shall be proved. A decision by the Listing Committee can be reviewed only once by the Listing Policy and Appeals Committee. Appeals are conducted by oral hearing only.
- Note 4 : Listing Policy and Appeals Committee is a new committee established for the purpose of hearing appeals for decisions of the Listing Division and the Listing Committee. The Listing Policy and Appeals Committee consists of 2 Non-Executive Directors of HKEx and 10 to 13 other independent members with representation from issuers, financial intermediaries and the investing public. All independent members are to be nominated by a Nomination Committee. A limited number of the Listing Committee members will be appointed to the Listing Policy and Appeals Committee to ensure that when policies are discussed, independent members who are involved in the listing approval and cancellation process also take part.
- Note 5 : Remittance of the matter may include a direction to make a decision afresh in respect of any specified matter. A decision in respect of a remitted matter is subject to appeal.

Flowchart for the Proposed New Listing Process (Key Steps Only)





Note 1 : New listing applicant also includes its sponsors, legal or professional advisers, as the case may be.

Note 2 : The Listing Division may not proceed with a listing application if at any time during the vetting process the listing applicant and its sponsors fail to address the key issues or a prospectus or the basic structure of the new applicant or the new applicant's business changes too much. The new applicant and its sponsors are required to finalize their work before the Listing Division will re-commence the vetting.