

**Legislative Council Panel on Financial Affairs**  
**Meeting on 1 November 1999**

**Progress Report on the launch of**  
**the Growth Enterprise Market (“GEM”)**

1. The GEM Listing Rules were approved by the Stock Exchange of Hong Kong (“the Exchange”) and the Securities and Futures Commission (“the SFC”) in July 1999.
2. Since then, the Exchange has admitted 31 firms as approved GEM sponsors and has received nine formal listing applications. The funds to be raised range from HK\$30 million to \$400 million. The Exchange and the SFC are jointly vetting the first few applications for listing on GEM. It is expected that the first listing would take place in November 1999. The GEM Listing Committee have already met several times since September to consider preliminary applications from potential listing applicants.
3. The SFC and the CSRC signed the letters of exchange on 14 October forming closer regulatory cooperation between the two market regulators in relation to the regulation of GEM. The SFC will approach other relevant securities regulators later this month to conduct similar discussions on establishing closer regulatory cooperation in relation to GEM.
4. With a view to facilitating listings on GEM, the SFC issued a press release on 13 October confirming that the requirement to prepare accountants report for the three financial years prior to listing under the Companies Ordinance would be waived to match with the GEM Listing Rules requirement of producing an accountants report for two financial years prior to listing. This general waiver for GEM companies would be published in the Government Gazette and be effective later this month.
5. Also with a view to facilitating listings on GEM, the Exchange has proposed changes to the GEM Listing Rules for the reduction of the minimum public float requirement and the moratorium period applicable to management shareholders. These changes will be considered by the GEM Listing Committee later this month and by the Stock Exchange Council and the SFC in November. If approved, the rule changes would become effective in mid-November.
6. The Exchange has developed a procedural booklet for the upload of documents on the GEM Website and an investor education guide on GEM. The SFC has provided comments on the draft documents.
7. On the whole, preparation work for the listings of securities on GEM is in

an advanced stage. It is expected that listings will take place in November 1999 as scheduled.

Securities and Futures Commission  
28 October 1999