
**Introduction to the Listing of PRC Companies on
the Growth Enterprise Market of
The Stock Exchange of Hong Kong Limited**

*based on the Rules Governing the Listing of Securities on the
Growth Enterprise Market promulgated by The Stock Exchange
of Hong Kong Limited
("GEM Listing Rules")*

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I. Brief Introduction of the GEM

The Growth Enterprise Market or GEM is the new stock market launched by the Stock Exchange of Hong Kong Limited (“the Exchange”) in the fourth quarter of 1999. The main mission of GEM is to provide a venue for growth enterprises to raise capital for proper use towards the development and expansion of their business. It is the long term objective of the Exchange to develop GEM into a successful stock market in its own right which can satisfy the quality and level of transparency and regulation sought by investors wishing to participate in the growth in China and the region.

- **Separate Identity**

- A Separate Market

GEM is an alternative market to the existing stock market (herein referred to as the “Existing Market”) operated by the Exchange. Whilst GEM draws on some of the Exchange’s resources to provide for its back office support, it has its own dedicated team of front line management and staff to operate independently from the Existing Market.

- Transfer of Listing

GEM is a completely separate market and is neither junior nor inferior to the Existing Market. In particular, it is not a nature ground to prepare companies for the wishing to transfer its listing from GEM to the Existing Market or visa versa which will need to satisfy in full all the entry and ongoing requirements of the respective markets.

- Separate Listing Rules

GEM has its own listing rules and requirements, namely, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”), which in certain respects are identical to or mirror those of the Existing Market but which in many other respects are different from those of the Existing Market. The GEM Listing Rules stands alone and it is unnecessary to cross-reference to the listing rules of the Existing Market.

- **Market Characteristics**

- Targeting Growth Companies

GEM targets growth companies from all industries of all sizes. To also accommodate those smaller growth companies without a performance track record, the GEM entry requirements are lower than those of the Existing Market. Initially, companies listed on GEM are required to be incorporated in any one of

the following jurisdictions: Hong Kong, the People's Republic of China, Bermuda and the Cayman Islands.

➤ **Buyer's Beware Philosophy**

By their nature, the future performance of growth companies without a proven track record is likely to be less predictable. The risks associated with investment in these growth companies are therefore expected to be higher in view of the greater uncertainty. GEM adopts a buyer's beware philosophy and investors are required to make their own assessment of the commercial viability of companies listed or about to be listed on GEM. The initial role of the Exchange in screening the suitability for listing of applicants is very limited and specifically excludes any assessment of their commercial viability.

➤ **A Market for Professional and Informed Investors**

The rules, requirements and facilities of GEM are designed to satisfy the needs and standards desired by professional and informed investors in the context of growth companies. The rules and requirements emphasise on detailed, frequent and timely company disclosures whilst the electronic trading and communication facilities enable participants to gain convenient and timely market access for order processing and information retrieval.

➤ **Differentiation From the Existing Market**

The Existing Market and GEM cater for the different investment appetite of investors and offer listing applicants a choice to go public. Investors who are averse to higher risk may choose to invest in the more established companies listed on the Existing Market with the prospect of earning of a more steady return in terms of dividend yield and capital appreciation. On the other hand, investors who have an appetite for risk may choose to invest in the GEM companies with the prospect of seeking greater capital appreciation that are commensurate with the greater risks.

• **Advantages of Listing on GEM**

A PRC Company may effectively be listed on GEM either by direct issue of H Shares in Hong Kong or by incorporating an overseas company and have the overseas company's shares listed. Obtaining a list on the GEM will bring the following benefits to the issuer:

- access to international funds at the international financial centre where a number of the world's most successful fund managers being involved in the capital market actively
- exposure to and experience from the well established international standard and practice in respect of corporate governance, a director's fiduciary duty and protection of minority shareholders

- to enhance the company’s profile and reputation in the international business world and securing the interest and confidence of international investors and business partners
- **Comparison of GEM with the Existing Market**
 - A table of comparison of the salient features of the GEM Listing Rules and those of the existing market (so-called “Main Board”) is enclosed herewith for reference as Appendix A.
- **PRC Application Approval Procedures for Listing on GEM**
 - A summary of application and approval procedures applicable to a PRC company seeking Listing on the GEM is enclosed herewith as Appendix B for reference. The summary is prepared based on the Guidelines To Approval and Supervision of Domestic Enterprises Seeking Listing On the Growth Enterprise Market of Hong Kong promulgated by the China Securities Regulatory Commission on 12th October 1999.

II. Qualifications and Requirements for Listing

General conditions and requirements applicable to all issuers

- **Incorporation**

The issuer must be duly incorporated or otherwise established under the laws of Hong Kong, the PRC, Bermuda or the Cayman Islands and must be in conformity with those laws.

- **Corporate Governance**

The issuer must have persons appointed to the following offices and/or to perform the following roles, and the issuer must ensure that such persons have satisfied the following rules prior to appointment:-

- Directors – The board of directors of an issuer is collectively responsible for the management and operations of the issuer. Every director must satisfy the Exchange that he has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of an issuer. Every issuer must ensure that, at all times, its board of directors includes at least 2 independent non-executive directors. As an indication of independence, the director should normally have no past or present financial or other interest in the business of the issuer or its subsidiaries.

- Company Secretary – The secretary of the issuer must be a person who has the requisite knowledge and experience to discharge the functions of the secretary of the issuer and who possess the qualification prescribed under the GEM Listing Rules.

- Qualified Accountant – Every issuer must ensure that, at all times, it retains an individual, on a full time-basis, whose responsibility is to assist the group in connection with its financial reporting procedures and internal controls. The individual must be a qualified accountant and a fellow or associate member of the Hong Kong Society of Accountants or a similar body of accountants recognised by that Society for the purpose of granting exemptions from the examination requirement for membership of that Society.

- Compliance Officer – Every issuer must ensure that, at all times, one of its executive directors assumes responsibility for acting as the issuer’s compliance officer. The compliance officer’s responsibilities must include, as a minimum, the following matters:-
 - (a) advising on and assisting the board of directors of the issuer in implementing procedures to ensure that the issuer complies with the GEM Listing Rules and other relevant laws and regulations applicable to the issuer; and
 - (b) responding promptly and efficiently to all enquiries directed at him by the Exchange.

- Authorised representative – Every issuer must ensure that, at all times, it has 2 authorised representatives. The authorised representatives must be 2 individuals from amongst the issuer’s executive directors and company secretary (unless the Exchange, in exceptional circumstances, agrees otherwise). The responsibilities of an authorised representative are as follows:
 - (a) supplying the Exchange with details in writing of how he can be contacted including home, office and mobile phone telephone numbers and, where available, facsimile numbers and electronic mail addresses;

(b) for so long as the issuer continues to have a Sponsor, assisting the Sponsor in its role as the principal channel of communication with the Exchange concerning the affairs of the issuer.

➤ **Audit committee**

– Every issuer must establish an audit committee comprising a minimum of 2 members. The majority of the committee must be independent non-executive directors of the issuer (and, in the case of a committee of 2, both must be independent non-executive directors of the issuer). The audit committee must be chaired by an independent non-executive director. The duties of the audit committee include at least the following matters:

(a) reviewing, in draft form, the issuer's annual report and accounts, half-year report and quarterly reports and providing advice and comments thereon to the issuer's board of directors; and

(b) reviewing and supervising the issuer's financial reporting and internal control procedures.

• **Sponsor**

A new applicant must, prior to any listing application, have appointed a Sponsor pursuant to a contract for a fixed term period covering at least the remainder of the financial year during which the listing occurs and the 2 financial years thereafter. The Sponsor has to be one of those sponsors registered with the Exchange for acting as the sponsor for GEM listing application. A list of the registered sponsors published by the Exchange as at 22 March 2003 is enclosed herein as Appendix C for reference.

• **Active business pursuits**

Generally, except where a new applicant meets the requirements as set out under the paragraph "Shorter Period of Business Pursuit" below, a new applicant must demonstrate that, throughout the period of 24 months immediately preceding the date of the listing document, it has, either by itself or through one or more of its subsidiaries, actively pursued one focused line of business under substantially the same management and ownership as exist at the time of the application for listing, and must make a statement of active business pursuits in the listing documents providing both qualitative and quantitative information, in a reasonable level of details, about the activities and performance of the issuer:

- a new applicant must be able to demonstrate that it has a business of both substance and potential. A business will only be regarded as having the requisite substance if the applicant can show that it has spent at least the 24 months period (or such shorter period accepted by the Exchange) prior to the issue of the listing document making substantial progress in building up that business;
- Examples of measurements of progress that may be relevant are as follows:
 - a) sales and marketing activity (such as turnover, customer or client base, number of retail outlets or concessions, geographic mix and marketing strategy);
 - b) production factors (such as equipment, premises and raw materials required and production processes);
 - c) deployment of human resources (such as number, expertise, experience and turnover of personnel);
 - d) product and/or process developments (such as phase of development);
 - e) licensing developments (including details of type, purpose, expiry date, parties and financial effect);
 - f) patent or other intellectual property protection (such as status of trade mark and patent registration in each market);
 - g) joint ventures, collaborations or other business arrangements into which the applicant has entered (including details of the parties thereto and the purpose of any such arrangement, expiry date and financial effect);
 - h) funding arrangements (such as the equity and debt finance previously obtained);
 - i) in the case of infrastructure project companies, details of projects, project locations, concessions or mandates awarded, phases of development, pre-construction or construction;
 - j) regulatory approvals obtained; and
 - k) such matters as are the otherwise relevant to the product, service or activity in question.
- Business Pursuit may be carried out by a subsidiary which:
 - (a) The new applicant must control the composition of the board of directors of that active subsidiary and of any intermediate holding company; and
 - (b) The new applicant must have an effective economic interest of no less than 50 per cent in that active subsidiary

- **Focused Business**

A new applicant to be considered suitable for listing should be actively engaged in one focused line of business rather than two or more disparate businesses. The reason for this is that the Exchange expects an applicant's management to be devoting its attention towards advancing one core business rather than a variety of concerns which compete or may compete for their attention.

- **Shorter Period of Business Pursuits**

The Exchange may accept a shorter period of active business pursuits in the following circumstances:-

1. Where the new applicant falls within one of the following cases with reasons acceptable to the Exchange:-
 - In respect of newly-formed "project" companies (for example a company formed for the purposes of a major infrastructure project);
 - In respect of nature resource exploitation companies; and
 - In exceptional circumstances under which the Exchange considers it desirable to accept a shorter period.
2. Where the new applicant falls into the new category of applicant created under the amendment which came into effect on 1st October 2001 which allows a new applicant that meets certain criteria in terms of size and public float (eg. having a turnover of HK\$500M in the last 12 month period , total assets of not less than HK\$500M and market capitalisation in the hands of the the public of not less than HK\$150M and be held among at least 300 shareholders) to apply for listing with not less than 12 months active business pursuits.

- **Business Objectives**

A new applicant must include in its listing document a statement of business objectives setting out the following information

- general information as to (a) the overall business objectives of the new applicant; and (b) the market potential for the new applicant's active business pursuits over the period comprising the remainder of the current financial year of the applicant and the 2 financial years thereafter;
- a detailed description of the new applicant's objectives for each of the products, services or activities identified in its statement of active business pursuits (and any other objectives) analysed over the period comprising the remainder of the current financial year of the applicant and the 2 financial years thereafter;

- the statement of business objectives should specify particular strategies, critical paths or milestones against which the applicant's progress may, in the future, be compared.

- **Accountants' Report**

A new applicant must have an accountants' report prepared in accordance with Chapter 7 of the GEM Listing Rules. In the case of a new applicant with active business pursuits of 24 months, an accountants' report covering active business pursuits of at least 24 months (which needs not cover 2 complete financial years) must be prepared. In the case of a new applicant with an active business pursuit of 12 months, an accountants' report covering at least the 12 month period from the commencement of their active business pursuits must be prepared.

In the case of a new applicant, the latest financial period reported on by the reporting accountants must not have ended more than 6 months before the date of the listing document.

- **Property-related Matters**

- A new applicant that is a property company must have, in respect of a substantially major portion of its PRC properties, long-term title certificates and/or, in respect of a substantially major portion of its properties not suitable in the PRC, other appropriate evidence of title, regardless of whether such properties are completed or still under development.
- For any new applicant, not being a property company which has a PRC property that represents a substantial portion of its assets in terms of either asset value or profit contribution, the new applicant must obtain a long-term title certificate for that PRC property.
- In the case of infrastructure companies, an issuer must obtain long-term title certificates for all PRC properties used in infrastructure projects, whether completed or under development.

- **Business Competition**

A new applicant will not be rendered unsuitable for listing on the grounds that any director or shareholder has an interest in a business which competes or may compete with the new applicant's business.

Full and accurate information of any business or interest of each director, management shareholder and initial substantial shareholder and the respective associates of each that competes or may compete with the business of the group and any other conflicts of interest which any such person has or may have with the group must be disclosed in each listing document and circular required under the GEM Listing Rules and in the annual report and accounts, half-year report and quarterly reports of the listed issuer.

- **Shareholding Requirements**

At the time of listing, the initial management shareholders (persons who are entitled to exercise, or control the exercise of, 5% or more of the voting power at general meeting of the issuer and who are able to direct or influence the management of the issuer, which under the new amendment came into effect on 1st October 2001 includes all members of senior management, directors and investors with board representation) and significant shareholders (persons who are entitled to exercise, or control the exercise of 5% or more of the voting power at general meeting), between them, hold at least 35 per cent of the issued share capital of the new applicant.

- **Open Market for Securities Listed**

There must be an open market in the securities for which listing is sought. This will normally mean that for any class of equity securities, at least the “minimum prescribed percentage” of such class of securities must be held in the hands of the public.

Non-PRC Issuer

In the case of a non-PRC issuer, the “minimum prescribed percentage” for any class of equity securities is determined by reference to the expected market capitalisation of the issuer as at the time of listing such that:-

- any new applicant with a market capitalisation of not exceeding HK\$4,000M must have a minimum of 25% of its securities held in public hands;
- any new applicant with a market capitalisation of over HK\$4,000M must have a minimum of the higher of (i) the percentage that would result in the market value of the securities to be in public hands equal to HK\$1,000M and (ii) 20 per cent.
- with regard to all equity securities for which a listing is sought, except in certain circumstances, the market capitalisation of such equity securities (determined as at the time of listing) in the hands of the public must be at least HK\$30M;
- The equity securities in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose equity securities are held through CCASS). Pursuant to the new amendment which came into effect on 1st October 2001, the definition of members of the public was restricted to exclude employees of the new applicant and their associates.

PRC Issuer

In the case of a PRC issuer, the requirement that there must be an open market in the securities for which listing is sought means that:-

- at least the “minimum prescribed percentage” of any class of securities must be held by the public. The “minimum prescribed percentage” is determined as follows:-

- if at any time there are existing issued securities of the PRC issuer other than H shares, then (i) 100% of the H shares must be held in the public; (ii) H shares held by the public must constitute not less than 10% of the total existing issued share capital of the PRC issuer; and (iii) the aggregate amount of H shares and such other securities held by the public must constitute not less than the following percentage:-
 - 25% for issuer with market capitalisation not exceeding HK\$4,000M;
 - the higher of (a) the percentage that would result in the market value of the securities to be in the public hands equal to HK\$1,000M and (b) 20%, for issuer with market capitalisation exceeding HK\$4,000M.
- if there are no existing issued securities of the PRC issuer other than H shares, the H shares held by the public must constitute not less than the percentage set out above.
- H shares held by the public must have an expected market value of not less than the higher of HK\$30,000,000 or the expected initial market value of the applicable minimum prescribed percentage.
- The equity securities in the hands of the public should, as at the time of listing, be held among at least 100 persons (including those whose equity securities are held through CCASS)

- **Moratorium on Disposal of Securities**

The following persons have to undertake to the new applicant and the Exchange that they will not dispose of the securities in the new applicant in the following manner:

- in the case of an initial management shareholder, disposes of the relevant securities within a period of 12 months from the listing date, or 6 months from the listing date where the shareholder's relevant securities represent no more than 1% of the issued share capital of the new applicant as at the listing date;
- in the case of an initial significant shareholder, disposes of the relevant securities within a period of 6 months from the listing date.

In addition, the securities held on the listing date by each of the management shareholders and significant shareholders in the new applicant shall be placed in escrow, with an escrow agent on the terms acceptable to the Exchange, for a period of 12 months and 6 months (as applicable), from the listing date.

It should also be noted that under the amendment which came into effect on 1st October 2001, (i) any stock lending arrangement with an underwriter of the initial public offering of the new applicant's securities which satisfies certain conditions (such as the stock lending arrangement must have been fully described in the prospectus) and (ii) any

placing and issue of securities pursuant to a placing and top-up arrangement during the second 6 month period after listing which satisfies certain conditions (such as the number of relevant securities held by the relevant shareholder before and after the placing and issue of securities will not be changed) are excluded from the definition of “disposal” under the GEM Listing Rules.

Special conditions applicable to a PRC issuer

Issuers established in the PRC are subject to additional requirements:

- the articles of association of PRC issuers must contain provisions which reflect the different nature of domestic shares and overseas listed foreign shares (including H shares) and the different rights of their respective holders.
- disputes involving holders of H shares and arising from a PRC issuer’s articles of association, or from any rights or obligations conferred or imposed by the Company Law and any other relevant laws and regulations concerning the affairs of the PRC issuer, are to be settled by arbitration in either Hong Kong or the PRC at the election of the claimant.
- duly incorporated in the PRC as a joint stock limited company.
- the PRC issuer must appoint, and maintain throughout the period its securities are listed on the GEM the appointment of, a person authorised to accept service of process and notices on its behalf in Hong Kong.
- provision must be made for a register of holders to be maintained in Hong Kong, or such other place as the Exchange may agree, and for transfers to be registered locally.

III. Application Procedures and Requirements

GEM Listing Committee/Division

- Application for listing on the GEM is to be made to the GEM Listing Committee
- All documents have to be submitted to the GEM Listing Division which will review all applications.

Sponsor

A new applicant seeking a listing of equity securities on GEM must appoint a Sponsor pursuant to a contract for a fixed term period covering at least the remainder of the financial year during which the listing occurs and the 2 financial years thereafter. The Sponsor’s role is of particular importance to the successful operation of GEM, since it is the expectation of the Exchange that each issuer should, with the guidance and assistance of the Sponsor, comply with and discharge its responsibility under the GEM Listing Rules. To be eligible to act as the Sponsor of a new applicant or a listed issuer, a firm in question must have been approved by the Exchange for such purpose and admitted to a list of sponsors maintained and published by the Exchange from time to time.

Sponsor's Main Responsibility to A New Applicant

- to submit the listing application on behalf of the new applicant and forms and documents in connection with the listing application and required pursuant to the GEM Listing Rules
- to deal with the Exchange on all matters raised by the Exchange, and to act as the principal channel of communication with the Exchange on behalf of the listed issuer
- to be closely involved in the preparation of the listing document and must ensure that it has been verified to a standard that enables the Sponsor to submit to the Exchange the Sponsor's declaration in the form set out in Appendix 7G of the GEM Listing Rules
- to ensure that there is no unauthorised publication or leakage of publicity material or price sensitive information about a new applicant prior to the hearing of the GEM Listing Committee
- to ensure the directors of the new applicant have had explained to them the nature of their responsibilities under the GEM Listing Rules and other applicable laws and provisions relating to securities
- to perform other functions and discharge other responsibilities designated in relation to a sponsor under the GEM Listing Rules

Application Procedures

- An application must be made to the Exchange for the purpose of listing securities issued by a new applicant. The Sponsor must contact the GEM Listing Division to ascertain a date on which the GEM Listing Committee may consider the new applicant's application for listing (the "Provisional Hearing Date")
- A new applicant must apply to the GEM Listing Division on the prescribed listing application form at least 25 clear business days prior to the Provisional Hearing Date. The listing application form must be accompanied by:
 - The documents, as applicable, stipulated in the rules 12.22 and 12.23 of the GEM Listing Rules (the "25-day Documents" as referred to below)
 - The form of Sponsor's declaration of interests
 - A certified board minutes of the new applicant authorising the submission of the listing application form
 - The non-refundable initial listing fee in the amount specified in Appendix 9 of the GEM Listing Rules
- Hearing (the meeting on which the GEM Listing Committee consider the new applicant's application for listing)

- Preliminary approval/rejection notice issued in respect of the listing application
- Registration of the prospectus
- Issue of the listing document
- Official notification issued in respect of the listing approval
- Trading commences

Documentary requirements

- The following documents, as applicable, must be lodged with the Exchange for review together with the form of application for listing in respect of a new applicant (the “25-day documents”). These documents must be in what the issuer and sponsor believe to be anticipated final form, save for matters concerning pricing, the number of shares to be issued, details of the underwriting and related matters. The Sponsor must ensure that the draft listing document has been verified in all material aspects prior to submission.
 - 6 drafts or proofs of the listing document in anticipated final form with appropriate annotations;
 - 3 certified copies of the memorandum and articles of association or equivalent document of the issuer, marked in the margin to indicate where compliance has been made with the provisions of Appendix 3 of the GEM Listing Rules, and a letter of compliance concerning the same from the issuer’s Sponsor or legal adviser;
 - 3 copies of the anticipated final draft of any statement of adjustments relating to the accountants’ report;
 - a copy of every material contract as mentioned in the prospectus;
 - 3 copies of the anticipated final draft or proof of the formal notice;
 - 3 copies of the anticipated final draft or proof of any application form to subscribe or purchase the securities for which listing is sought;
 - a certified copy of the resolution(s) of the board of directors authorising the allotment of such securities, the making of the application for listing and, the making of all necessary arrangements enabling such securities to be admitted into CCASS, and approving and authorising the issue of the listing document;
 - 3 anticipated final drafts or proofs of the definitive certificate or other document of title;
 - a copy of the anticipated final draft of a letter from the Sponsor or the issuer’s financial advisers or auditors, confirming that they are satisfied that the statement in the listing document as to the sufficiency of working capital has been made by the

directors after due and careful enquiry and that persons or institutions providing finance have stated in writing that such facilities exist;

- where the listing document contains a profit forecast, 3 copies of the anticipated final draft reports thereon by the reporting accountants and the Sponsor, and 3 copies of the anticipated final draft of the profit forecast memorandum with principal assumptions, accounting policies and calculations for the forecast;
 - any application for a waiver of any provision of the GEM Listing Rules;
 - the annual report and accounts of the companies which comprise or will comprise the group of the new applicant for each of the years forming the subject of the accountants' report;
 - a formal declaration undertaking and acknowledgement, in the relevant form set out in Appendix 6 of the GEM Listing Rules, duly signed by each director and proposed director (and, in the case of a PRC issuer, each supervisor and proposed supervisor);
 - a certified copy of the certificate of incorporation and any certificates of incorporation on change of name or equivalent document of the issuer;
 - where the promoter or other interested party is a limited company or a firm, a statutory declaration as to the identity of those who control it or are interested in its profits or assets (if requested by the Exchange); and
 - where the new applicant has any corporate shareholder holding over 5 per cent of the issued capital, a declaration by a duly authorised officer of each such corporate shareholder, giving details of its registered office, directors, shareholders and business (if requested by the Exchange).
- The following must be lodged with the Exchange, as soon as practicable after the hearing of the application by the GEM Listing Committee but on or before the date of issue of the listing document:-
 - the signed Sponsor's declaration in the form set out in Appendix 7G of the GEM Listing Rules;
 - 7 copies of the listing document: one of which must be dated and signed by every director or by his agent authorised in writing and by the secretary; one of which must be marked in the margin to indicate where compliance has been made with the relevant provisions of the GEM Listing Rules and the Companies Ordinance;
 - 7 copies of the formal notice;
 - 7 copies of any application form to subscribe or purchase the securities for which listing is sought;
 - a certified copy of every letter, report, financial statement, statement of adjustments, valuation, contract, resolution or other document (including any profit forecast

- memorandum, if applicable) any part of which is extracted or referred to in the listing document;
- a certified copy of the written consent by any expert to the issue of the listing document with the inclusion therein in the form of a statement or any recommendation;
 - a copy of the written notification issued by HKSCC stating the securities will be Eligible Securities;
 - any undertakings referred to in the listing document and/or required to be given to the Exchange, including those undertakings from initial management shareholders and significant shareholders;
 - a specimen of the definitive certificate or other document of title.
- In the case of a listing document which constitutes a prospectus under the Companies Ordinance, the following documents must be lodged with the Exchange by no later than 11 a.m. on the intended date of authorisation of the prospectus:-
 - an application of authorisation for registration of the prospectus
 - two printed copies of the prospectus, duly signed in accordance with the Companies Ordinance
 - a certificate issued by the translator certifying that the Chinese translation of the English version of the prospectus is true and accurate; and a certificate issued by a competent officer of the Sponsor certifying that the translator is competent to have given the certificate as to translations in respect of the prospectus documents;
 - the powers of attorney or other authority pursuant to which the prospectus is signed, together with one certified copy of each such power of authority

Special requirements for a PRC issuer

In addition to the documentary requirements on all the issuers, the following documents must be lodged with the Exchange, for initial review, at time of submitting a listing application:

- 3 copies of the Sponsor's submission in relation to the directors of the PRC issuer pursuant to rule 25.05 of the GEM Listing Rules
- 3 copies of each anticipated final draft contract between the PRC issuer and every director, supervisor and officer, each of which must contain the undertakings and arbitration clause
- a formal declaration, undertaking and acknowledgement in the form set out in Appendix 6B and Appendix 6C, duly signed by each or the director and supervisor, respectively

- 3 copies of the anticipated final draft legal opinion by the PRC issuer's Hong Kong legal advisers, citing and attaching the legal opinion by PRC lawyers, confirming the due incorporation and legal person status of the PRC issuer as a joint stock limited company under PRC law and the obtaining of all relevant regulatory approvals in the PRC required for the issue and listing contemplated by the PRC issuer's listing application.

September 2003

This note is provided for information purposes only and does not constitute legal advice. Specific advice should be sought in relation to any particular situation. This note has been prepared based on the laws and regulations in force at the date of this note which may be subsequently amended, modified, re-enacted, restated or replaced.

Appendix A

Comparison of the Salient Features of the Listing Rules of the GEM and the Main Board

The following summary contains a comparison of the salient features of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Main Board Listing Rules"). Because this is a summary, this does not contain all the information that may be important to you and is no substitute for the GEM Listing Rules and the Main Board Listing Rules. You should read this summary in conjunction with the full text of the GEM Listing Rules and the Main Board Listing Rules as the information referred to below is expanded or qualified in the GEM Listing Rules and the Main Board Listing Rules.

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| <ul style="list-style-type: none"> •General •Listing requirements •Role of the Exchange | <ul style="list-style-type: none"> •Warning statements •Moratorium •Continuing obligations of listed issuers •Connected transactions •Notifiable transactions •Governing structure | <ul style="list-style-type: none"> •Corporate governance •News dissemination requirements •Suspension and resumption of trading •Delisting •Share repurchases •Contents of prospectus |
| <ul style="list-style-type: none"> •Role of sponsors •Sponsor's eligibility •Listing application procedures •Disciplinary actions | | |

	Growth Enterprise Market	Main Board
General		
Types of securities	<ul style="list-style-type: none"> • Equity and debt securities (including options, warrants and convertible securities) only • Disallow listing of third party derivatives, unit trusts or investment vehicles 	<ul style="list-style-type: none"> • Equities, debts, third party derivatives, unit trusts and investment vehicles
Debt securities	<ul style="list-style-type: none"> • Listing of debt securities allowed only if: <ul style="list-style-type: none"> (i) the issuer's equity securities are listed or will be simultaneously listed on GEM; or (ii) the equity securities of the parent of the debt issuer are or will be simultaneously listed on GEM 	<ul style="list-style-type: none"> • Allow listing of debt securities without the listing of an applicant's or its parent's equity securities
Theme of the market	<ul style="list-style-type: none"> • Capital formation for growth companies from all industries 	<ul style="list-style-type: none"> • Various, including capital formation for larger and more

	Growth Enterprise Market	Main Board
	and of all sizes having a focused line of business	established companies with a profit track record
Dual listing	<ul style="list-style-type: none"> • Allow dual listing 	<ul style="list-style-type: none"> • Allow dual listing with different listing requirements for primary listing and secondary listing
Acceptable jurisdictions	<ul style="list-style-type: none"> • Hong Kong, Bermuda, the Cayman Islands and the People's Republic of China 	<ul style="list-style-type: none"> • Hong Kong, Bermuda, the Cayman Islands and the People's Republic of China for primary or secondary listing • Other jurisdictions for secondary listing on a case by case basis
Target investors	<ul style="list-style-type: none"> • Professional and informed investors 	<ul style="list-style-type: none"> • The whole spectrum of investors
Listing requirements		
Profit requirement	<ul style="list-style-type: none"> • No profit requirement 	<ul style="list-style-type: none"> • Profits of HK\$50m (HK\$20m in the most recent year and an aggregate of HK\$30m in the two preceding years) in the last 3 years
Operating history	<ul style="list-style-type: none"> • Generally must demonstrate at least 2 years of active business pursuits • However, amendment came into effect on 1/10/01 created a new category of applicant which may apply for listing with not less than 12 months active business pursuits if it meets certain requirements (eg. not less than HK\$500M turnover over the 12 months period, not less than HK\$500M total assets and have a market capitalisation of not less than HK\$150M held in public hands and be held among at least 300 shareholders) 	<ul style="list-style-type: none"> • Must have 3 years of trading record
A focused line of business	<ul style="list-style-type: none"> • Must actively pursue a focused line of business rather than two or more disparate businesses. However, 	<ul style="list-style-type: none"> • No such specific requirement. However, in practice, the main line of business must meet the minimum profit

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	peripheral activities related to the main line are allowed.	requirement
Flexibility for operating history requirement	<ul style="list-style-type: none"> • Except if the applicant falls into the new category created as set out under “Operating History” above, the Exchange will (except in exceptional circumstances) only accept companies having less than 2 years of active business pursuits for infra-structural or natural resource companies or under exceptional circumstances 	<ul style="list-style-type: none"> • The Exchange will relax the 3-year track record requirement only for certain defined types of companies such as infra-structural or natural resource companies or under exceptional circumstances, companies with at least 2 years of trading record
Statement of business objectives	<ul style="list-style-type: none"> • Set out the applicant's overall business objectives and explain how it proposes to achieve them over the period covering the remaining financial year during which listing occurs and the 2 financial years thereafter 	<ul style="list-style-type: none"> • No such specific requirement but an applicant is required to include a general statement of future plans and prospects
Active business carried on at subsidiary level	<ul style="list-style-type: none"> • An applicant may have its active business carried out by either itself, or its subsidiary or subsidiaries. In the case of an active business carried out by a subsidiary or subsidiaries, the applicant must control the board of the relevant subsidiary or subsidiaries and have an effective economic interest of not less than 50% of that subsidiary or those subsidiaries. 	<ul style="list-style-type: none"> • In practice, the Exchange will require an issuer to have control over its business
Sponsorship period after listing	<ul style="list-style-type: none"> • Must appoint a sponsor for a period covering at least the remaining financial year during which listing occurs and the 2 full financial years thereafter. Such sponsor (the "Retained Sponsor") will only 	<ul style="list-style-type: none"> • Requirement to have a sponsor will end once an applicant is listed (An H-share issuer must retain a sponsor for at least 1 year after listing)

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	act in an advisory capacity.	
Change of management, ownership or control during the track record period	<ul style="list-style-type: none"> • Must be under substantially the same management and ownership over the period of active business pursuits unless under exceptional circumstances acceptable to the Exchange 	<ul style="list-style-type: none"> • Must be under substantially the same management during the 3-year track record period
Competing businesses	<ul style="list-style-type: none"> • Allow competing businesses of directors, controlling shareholders, substantial shareholders and management shareholders as long as full disclosure is made at the time of listing and, except for substantial shareholders, on an on-going basis 	<ul style="list-style-type: none"> • Any competing businesses of directors and controlling shareholders may render an applicant unsuitable for listing depending on the merits of the case
Minimum market capitalisation	<p><i>Shares</i></p> <ul style="list-style-type: none"> • No specific requirement but effectively cannot be less than HK\$46m at the time of listing <p><i>Options, warrants or similar rights</i></p> <ul style="list-style-type: none"> • Market capitalisation of HK\$6m at the time of listing 	<p><i>Shares</i></p> <ul style="list-style-type: none"> • Market capitalisation of HK\$100m at the time of listing <p><i>Options, warrants or similar rights</i></p> <ul style="list-style-type: none"> • Market capitalisation of HK\$10m at the time of listing
Minimum public float	<p><i>Shares</i></p> <ul style="list-style-type: none"> • For companies with a market capitalisation below HK\$4,000M at the time of listing, a minimum public float of 25% subject to a minimum of HK\$30M; • For companies with a market capitalisation of over HK\$4,000M at the time of listing, a minimum public float of 20% or such higher percentage as will result in at least HK\$1,000M worth of shares being in public hands at the time of listing • minimum public float as determined above must be 	<p><i>Shares</i></p> <ul style="list-style-type: none"> • HK\$50m or 25% of the issued share capital, whichever is higher at the time of listing (but can be lowered to 10% if the issuer's market capitalisation exceeds HK\$4 billion) • Minimum public float as determined above must be maintained at all times

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	<p>maintained at all times</p> <ul style="list-style-type: none"> • there must be adequate spread of holders of securities such that as a guideline, equity securities in the hands of the public should as at the time of listing be held among at least 100 persons (such persons excludes employees of the issuer and their associates) <p><i>Options, warrants or similar rights ("warrants")</i></p> <ul style="list-style-type: none"> • 25% of the number of warrants issued 	<p><i>Options, warrants or similar rights ("warrants")</i></p> <ul style="list-style-type: none"> • 25% of the number of warrants issued
Minimum holdings by management shareholders and significant shareholders	<ul style="list-style-type: none"> • Management shareholders and significant shareholders collectively must hold not less than 35% of the issued share capital at the time of listing 	No such requirement
Spread of shareholders	<ul style="list-style-type: none"> • A minimum of 100 public holders at the time of listing. Note that the amendment came into effect on 1/10/01 now excludes employees and their associates from the definition of members of the public. 	A minimum of 100 holders with not less than three holders per HK\$1m at the time of listing
Underwriting arrangements	<ul style="list-style-type: none"> • Underwriting is not compulsory. However, if new funds are to be raised by the issuer, a listing may only proceed if the minimum subscription amount set out in the prospectus has been met. 	Offer for subscription must be fully underwritten
Offering mechanism	<ul style="list-style-type: none"> • An applicant is free to decide its offering mechanism as long as full disclosure is made. However, no preferential treatment on pricing will be 	Specific restrictions on the basis of allocation within the public subscription tranche and the claw back mechanism between a placing tranche and a public

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	<p>allowed. In addition, no preferential treatment in the public subscription tranche will be allowed.</p> <ul style="list-style-type: none"> Note that the amendment came into effect on 1/10/01 restricted the issue of securities on preferential basis to employees and related parties to 10% of the securities being marketed for which listing is sought. 	<p>subscription tranche in the event of over-subscription. The applicant may not list by way of placing only if there is likely to be significant public demand for its securities.</p>
Role of Exchange		
Listing applications	<ul style="list-style-type: none"> Pre-vetting of prospectus to ensure compliance with the Companies Ordinance for the purpose of authorising registration and the GEM Listing Rules Reserve the right to reject and raise enquiries on any application 	<ul style="list-style-type: none"> Same as GEM Same as GEM
Surveillance, compliance and enforcement	<ul style="list-style-type: none"> Actively police the market and undertake strong enforcement actions in the case of breaches of the GEM Listing Rules Pre-vetting of announcements/circulars/listing documents to check compliance with the GEM Listing Rules Reserve the power to request listed issuers to issue clarification announcements/circulars Investigate unusual price or volume movements 	<ul style="list-style-type: none"> Same as GEM Same as GEM Same as GEM Same as GEM
Sponsor scheme	<ul style="list-style-type: none"> Approve admission of sponsors and review on-going eligibility of sponsors 	<ul style="list-style-type: none"> No such sponsor scheme. But failure by a sponsor to meet the Exchange's expectation without reasonable cause may render that person

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	<ul style="list-style-type: none"> • Maintain a list of qualified sponsors to act for new applicants or listed issuers 	unacceptable to perform this role in future.
Role of Sponsors		
In respect of IPOs	<p>Satisfy themselves, to the best of their knowledge and belief, having made due and careful enquiry principally the following:</p> <ul style="list-style-type: none"> • the applicant is suitable for listing on GEM, and is in full compliance with the GEM Listing Rules • the information contained in the listing document is accurate and complete in all material respects and not misleading • the directors appreciate the nature of their responsibilities and can be expected to comply with the GEM Listing Rules and other relevant regulations • the directors have the requisite expertise and experience 	Instead of undertaking all these responsibilities, sponsors are required to observe the Model Code for Sponsors, which provides guidelines on similar responsibilities
During the 2-year mandatory sponsorship period	<ul style="list-style-type: none"> • Advise an issuer on the on-going compliance with the GEM Listing Rules and other relevant regulations • Review announcements, circulars and listing documents of an issuer, in an advisory capacity, prior to their publication pursuant to the GEM Listing Rules • Act as the principal channel of communication with the Exchange 	<ul style="list-style-type: none"> • No such requirement except for a PRC issuer, the sponsor of which is required to act as the principal channel of communication with the Exchange and to provide advice on continuous compliance with the Main Board Listing Rules during the 1-year continuing sponsorship period

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	<ul style="list-style-type: none"> • In circumstances where a prospectus or a listing document in respect of a rights issue, open offer, notifiable transaction or connected transaction is issued, a sponsor (need not be the Retained Sponsor) is required to assume similar responsibilities as in the case of an initial listing document. • The Exchange reserves the right to require a listed issuer to appoint a sponsor even after the mandatory sponsorship period 	<ul style="list-style-type: none"> • No such requirement
Sponsor's eligibility		
Legal form	Must be a limited liability company incorporated under the Companies Ordinance or registered under Part XI of the Companies Ordinance	No such requirement
Professional or licensing requirements	<ul style="list-style-type: none"> • Must be registered, pursuant to the Securities Ordinance, as an investment adviser, a securities dealer or an exempt securities dealer 	Must be a member of the Exchange, an issuing house, a merchant banker or other similar person acceptable to the Exchange. In practice, sponsors are required to be registered as investment advisers.
Corporate finance experience	<ul style="list-style-type: none"> • Must have: <ul style="list-style-type: none"> (a) over the last 5 years <ul style="list-style-type: none"> (i) acted as a lead sponsor on at least 2 completed IPO transactions on the Main Board or GEM; or (ii) acted as a co-sponsor on at least 3 completed IPO transactions on the Main Board or GEM; and 	No specific requirement. In practice, if a prospective sponsor cannot demonstrate that it has the requisite experience, it will need to act as a co-sponsor for 2 completed IPO transactions before it can act as a lead or sole sponsor.

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	<p>(The Exchange may consider experience derived from acting for companies listed on overseas exchanges acceptable to the Exchange on a case by case basis. In exceptional circumstances, the Exchange could waive the requirement in (a) where the prospective sponsor:</p> <p>(i) can demonstrate to the Exchange's satisfaction that it has proven experience in sponsoring IPO in the past and has recognised expertise in that connection; or</p> <p>(ii) is a member of a group having the requisite IPO experience based on which the prospective sponsor can be expected to benefit.)</p> <p>(b) other general corporate finance experience in Hong Kong or overseas.</p> <p>In exceptional case, the Exchange could waive the requirements in (a) and (b) above where a newly set-up firm can fulfill all the other eligibility requirements</p> <ul style="list-style-type: none"> • A prospective sponsor that does not fulfill the above requirements but could fulfill all the other eligibility requirements will be admitted 	

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	as a co-sponsor	
Capital requirements	<ul style="list-style-type: none"> • Must have a paid-up share capital and/or non-distributable reserves of not less than HK\$10m • Must have a net tangible asset value after minority interests of not less than HK\$10m, represented by unencumbered assets. If that amount drops below HK\$10m, the sponsor cannot take on new sponsorship role. In any event, such amount cannot fall below HK\$5m. • The above two requirements could be satisfied by a bank guarantee or a guarantee given by a company of substance within the same group as the sponsor acceptable to the Exchange 	No such requirement
Expertise requirements	<p><i>A minimum of 2 executive directors</i></p> <ul style="list-style-type: none"> • Engage in a full time capacity in the corporate finance business in Hong Kong • Must be registered pursuant to the Securities Ordinance as an investment adviser or a securities dealer. This requirement is not applicable where the sponsor is an exempt securities dealer. • Must have over the last 5 years <ul style="list-style-type: none"> (i) acted in a substantial role on at least 2 completed IPO transactions on the Main 	No such requirement

	Growth Enterprise Market	Main Board
	<p>Board or GEM. Such role must be derived from firms acting as sponsors of those IPO transactions. In exceptional circumstances, the Exchange could waive this requirement; and</p> <p>(ii) other relevant corporate finance experience, the substantial part of which must have been derived in respect to companies listed on the Main Board or GEM</p> <p><i>A minimum of 2 other members of staff</i></p> <ul style="list-style-type: none"> • Engage in a full time capacity in the corporate finance business in Hong Kong • Must be registered pursuant to the Securities Ordinance as an investment adviser, an investment representative, a securities dealer or a securities dealer's representative. This requirement is not applicable where the sponsor is an exempt securities dealer. • Must have relevant corporate finance experience over the last 3 years, the substantial part of which must have been derived in respect of companies listed on the Main Board or GEM 	
Past records of public censure and other disciplinary action	Any public censure or disciplinary action taken against a sponsor or directors or staff of that sponsor over the last 5 years must be disclosed. If any public	No such requirement

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	censure has taken place over the last 5 years, it is unlikely that the firm will be suitable for admission as a GEM sponsor.	
Interests of sponsors	<ul style="list-style-type: none"> • Allow a sponsor to hold shares or options of and to have normal banking relationship (e.g. through another group company) with an issuer for which it acts • In certain circumstances, the Exchange may permit the auditor or reporting accountant of an issuer to be involved as a co-sponsor (but not as a sole sponsor) of that issuer. The legal adviser of the issuer remains ineligible to act as a sponsor or a co-sponsor • Must disclose in the listing documents/circulars/ and annual/half-yearly/quarterly reports the interests of a sponsor (including its directors and employees) in the issuer for which it acts 	<ul style="list-style-type: none"> • No specific requirement, but in practice, if a sponsor has a stake in a new applicant or is its major banker, that new applicant may be required to appoint a co-sponsor • No such restriction but in practice auditors, reporting accountants or lawyers never act as sponsors • In practice, the sponsor will normally disclose its interests in the listing document at the time of listing but has no on-going disclosure obligation
On-going eligibility	Subject to the Exchange's review annually or any time at the discretion of the Exchange	No such requirement
Listing application procedures		
New applicants	<p>Application form (Appendix 5A) must be submitted at least 25 clear business days prior to the provisional hearing date together with:</p> <ul style="list-style-type: none"> • Listing document in substantially final form (except pricing) • All relevant documents should be submitted at the 	<p>Advance booking form (Appendix 5A1) must be submitted at least 25 clear business days prior to the provisional hearing date together with:</p> <ul style="list-style-type: none"> • Advanced draft of listing document • Some relevant documents can be submitted in stages

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	time of submitting an application	
Listed issuers	<p>Application form (Appendix 5B) accompanied by all required supporting documents must be submitted at least:</p> <ul style="list-style-type: none"> • 10 clear business days prior to the intended bulk-print date of the listing document; or • 4 clear business days prior to the intended date of issuing securities, if not required to be supported by a listing document 	<p>Drafting listing document accompanied by the required supporting documents must be submitted at least 10 clear business days prior to the intended bulk-print date of the listing document</p> <ul style="list-style-type: none"> • Application form (Appendix 5C1) must be submitted at least 2 clear business days prior to the intended bulk-print date of the listing document
Contents of prospectus		
Statement of active business pursuits	<ul style="list-style-type: none"> • Provide both qualitative and quantitative information of an applicant's business history and performance (including achievements and setbacks) over the 2 years prior to listing • Should be set out by reference to the periods covered by the accountants' report to facilitate understanding 	Information on group activities and financial information are required
Statement of business objectives	<ul style="list-style-type: none"> • Provide a detailed description of business objectives for each product and service which will need to be analysed by reference to each major business activity • Explain all bases and assumptions 	Information on the general business trend, financial and trading prospects is required
Use of proceeds	Must explain the use of proceeds in details by reference to the business objectives	Must disclose details of the intended use of proceeds of the issuer.

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Profit forecast	Profit forecast is not compulsory	Profit forecast is encouraged and almost always provided.
Accountants' report	<ul style="list-style-type: none"> • New applicant with active business pursuits of 24 months must have an accountants' report of at least 24 months, which need not cover 2 complete financial years. • Can be prepared in accordance with US GAAP if the applicant is or will be simultaneously listed on either the New York Stock Exchange or the NASDAQ National Market 	<ul style="list-style-type: none"> • Covers 3 financial years except for exempted companies • Must be prepared in accordance with HKGAAP except for overseas companies, the accounts of which can be drawn up in conformity with IAS subject to the Exchange's approval
Warning Statements		
Risk warning statement	A statement of GEM characteristic highlighting the associated risks is required to be included in a prominent position on listing documents or circulars issued pursuant to the GEM Listing Rules, unless otherwise stated	No such requirement
Moratorium		
In respect of management shareholders	<ul style="list-style-type: none"> • Any person who is, or group of persons who together are, entitled to exercise 5% or more of the voting power of an issuer and who is or are able to direct or influence the management is regarded as a management shareholder. A professionally managed fund (even if holding more than 5%) that is not actively involved in the management of an issuer is not normally regarded as a management shareholder. • A management shareholder at 	Please refer to moratorium imposed on controlling shareholders below

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	<p>the time of listing ("Initial Management Shareholder", which under the amendment came into effect on 1/10/01 includes all members of senior management, all executive and non-executive directors and investors with board representation) must undertake not to dispose of his interest in an issuer for 12 months from the listing date, or 6 months from the listing date where the shareholder's relevant securities represent no more than 1% of the issued share capital of the new applicant as at the listing date.</p> <ul style="list-style-type: none"> • An Initial Management Shareholder is only allowed to pledge his shares in an issuer to authorised institutions under the Banking Ordinance. He must during the moratorium period disclose any pledge of shares in an issuer and any disposal of such pledged shares by the pledgee immediately. • During the moratorium period, an Initial Management Shareholder must deposit his shares in a custodian under an appropriate escrow arrangement and can only withdraw shares from the custodian under circumstances allowed by the GEM Listing Rules such as the pledging of shares as set out above. • Note that under the amendment which came into effect on 1/10/01, stock lending arrangement with an underwriter of the initial 	

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	<p>public offering and any placing and issue of securities pursuant to a placing and top-up arrangement during the second 6 month period which satisfies certain conditions are excluded from the definition of disposal.</p>	
In respect of significant shareholders	<ul style="list-style-type: none"> • Any person who is entitled to exercise 5% or more of the voting power of an issuer immediately prior to the listing document date and at the time of listing and who is not a management shareholder is regarded as a significant shareholder • A significant shareholder must undertake not to dispose of his interest in an issuer during the first 6 months after listing • A significant shareholder is only allowed to pledge his shares in an issuer to authorised institutions under the Banking Ordinance. He must during the moratorium period disclose any pledge of shares in an issuer and any disposal of such pledged shares by the pledgee immediately. • During the moratorium period, a significant shareholder must deposit his shares in a custodian under an appropriate escrow arrangement and can only withdraw shares from the custodian under circumstances allowed by the GEM Listing Rules such as 	Please refer to moratorium imposed on controlling shareholders below

	Growth Enterprise Market	Main Board
	the pledging of shares as set out above.	
In respect of controlling shareholders	Caught by moratorium imposed on management shareholders above as controlling shareholders will be deemed as management shareholders	Any person regarded as a controlling shareholder at the time of listing undertakes: <ul style="list-style-type: none"> • Not to dispose of his interest in an issuer during the first 6 months after listing • Not to dispose of his interest in an issuer if such disposal would result in him ceasing to be a controlling shareholder during the second 6 months after listing • To disclose any pledge of shares in an issuer and any disposal of such pledged shares by the pledgee immediately during the first 12 months
In respect of listed issuers	<ul style="list-style-type: none"> • Cannot issue further shares or securities convertible into equity securities within the first 6 months of the date of listing save in respect of (i) any capitalisation issue or any consolidation, sub-division or capital reduction of shares or (ii) any issue of shares or securities convertible into equity securities for the purpose of an acquisition of assets which would complement the issuer's focused line of business and satisfy other conditions as set out in rule 17.29. • No such requirement • No such requirement 	<ul style="list-style-type: none"> • In practice, cannot issue new shares in the first 6 months after listing • In practice, cannot issue new shares in the second 6 months after listing such that the interest of a controlling shareholder in an issuer would drop below 30% • Within the first 12 months after listing, any rights issue or open offer must be made conditional on shareholders' approval and controlling shareholders are not allowed

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		to vote
Continuing obligations of listed issuers		
Disclosure	<p>Issuers are required to:</p> <ul style="list-style-type: none"> • Publish annual reports within 3 months, and half-yearly reports and quarterly reports within 45 days after the end of each relevant financial period • During the period comprising the remaining financial year during which listing occurs and the 2 financial years thereafter, the annual/half-yearly reports must include a comparison of actual business progress with the business objectives contained in the listing document • The emoluments of each director must be disclosed on an anonymous basis in the annual report 	<ul style="list-style-type: none"> • Publish annual reports and half-yearly reports within 4 months and 3 months respectively after the end of each financial period • No such requirement • Emoluments of directors are disclosed on an aggregate basis and are analysed by income bands
Material change in the nature of business	<p>Same disclosure obligation as the Main Board except that any material change in the nature of business during the remaining financial year in which listing occurs and the 2 financial years thereafter requires independent shareholders' approval.</p>	<ul style="list-style-type: none"> • Material change in the nature of business is under general obligation to disclose pursuant to paragraph 2 of the Listing Agreement • In practice, within the first 12 months after listing, an issuer cannot make any acquisition or disposal which would result in a fundamental change in its main undertaking as described in the prospectus unless the circumstances are exceptional and prior independent shareholders' approved is obtained (controlling shareholders are not allowed to vote)

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Connected transactions		
Threshold and disclosure requirements	Follow the Main Board consultation paper except that a management shareholder will also be classified as a connected person	<p>The Main board has issued a consultation paper on this area. The proposed rules mainly codify the current Exchange's practices and clarify certain provisions of the existing rules.</p> <p>The principal requirements are:</p> <ol style="list-style-type: none"> (1) Transactions of value below the higher of 0.03% of NAV or HK\$1m will be fully exempted (2) Transactions of value exceeding (1) above but below the higher of 3% of NAV or HK\$10m will only be subject to the reporting and announcement requirements (3) Transactions of value exceeding (2) above require independent shareholders' approval and an opinion from an independent financial adviser in addition to the requirements set out above. <p>A new section is introduced to clarify the Exchange's treatment of options. Transactions involving options would be subject to the requirements governing connected transactions.</p>
Notifiable transactions		
Threshold and disclosure requirements	<ul style="list-style-type: none"> • Follow the consultation paper of the Main Board 	<ul style="list-style-type: none"> • The Main Board has issued a consultation paper on this area. The proposed rule changes mainly codify current Exchange's practices and clarify certain existing provisions. The principal requirements of the proposed

	Growth Enterprise Market	Main Board
		<p>rules are:</p> <ul style="list-style-type: none"> • There are four tests - NAV test, profit test, consideration test and equity capital test • The resulting ratio (arising from any of the four tests) of 15%, 50% and 200% are the thresholds for discloseable, major and very substantial acquisition transactions respectively • The threshold for very substantial acquisition transactions would reduce to 100% if: <ul style="list-style-type: none"> (i) the business, company or companies being acquired is/are different from the current principal activities of the issuer; or (ii) there is an intention to make a major change in the principal activities of the issuer • A discloseable transaction requires an announcement and a circular to shareholders • A major transaction requires shareholders' approval or written shareholder certificate in addition to the requirements of a discloseable transaction • A very substantial acquisition requires minority shareholders' approval in addition to the requirements of a discloseable transaction. Also, the contents of the circular to shareholders would be very similar to a prospectus. • A new category of

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		<p>transactions named as reverse takeover (i.e. meaning any acquisition that would result in a change in control or be deemed by the Exchange to circumvent the requirements of the listing requirements) has been introduced. A reverse takeover will be treated as a new listing application and must be made conditional on minority shareholders' approval in addition to the requirements of a discloseable transaction. Also, the contents of the circular to shareholders would be very similar to a prospectus</p> <p>A new section is introduced to clarify the Exchange's treatment of options. Transactions involving options would be subject to similar requirements governing notifiable transactions</p>
Governing structure		
Day-to-day operations	Carried out by the GEM Listing Division	Carried out by the Listing Division
Governance of listing matters	GEM Listing Committee	Listing Committee
Appeals	<ul style="list-style-type: none"> • GEM Listing (Review) Committee • Listing Appeals Committee (the same committee as the Main Board) 	<ul style="list-style-type: none"> • Listing (Review) Committee • Listing Appeals Committee
Disciplinary actions		
In respect of listed companies and directors	Common penalties include private reprimand and public censure	Same as GEM
In respect of sponsors	Issue private reprimand and public censure, remove sponsors from the sponsor list, bar sponsors from acting for issuers listed on GEM, request SFC to withdraw the sponsor's registration under the Securities Ordinance	Common penalties include private reprimand and public censure

	Growth Enterprise Market	Main Board
Procedures	Same procedures adopted in the Main Board and GEM	Same procedures adopted in both the Main Board and GEM
Corporate governance		
Corporate governance	<ul style="list-style-type: none"> • Adequate and effective systems of internal control covering financial and compliance requirements, including having: • An executive director designated as compliance officer • A qualified accountant to supervise the accounting and financial reporting procedures and internal control • Two independent non-executive directors • An Audit Committee to be chaired by an independent non-executive director 	<ul style="list-style-type: none"> • No such requirement • No such requirement • Same as GEM • Issuers are encouraged, but not obliged, to establish an audit committee
Directors' dealing restrictions	<ul style="list-style-type: none"> • Same requirements as the Main Board except that the Model Code for Securities Transactions by Directors of Listed Companies is included in the body of the GEM Listing Rules • Should note that pursuant to the amendment which came into effect on 30/6/01, a new restriction period was introduced such that directors' dealings are disallowed during the period commencing one month prior to the earlier of (i) the date of the board meeting for the approval of the issuer's quarterly, interim or annual results; and (ii) the deadline for the issuer to publish its quarterly, interim or annual results 	<ul style="list-style-type: none"> • Directors are required to observe the Model Code for Securities Transactions by Directors of Listed Companies, which stipulates the same dealing restrictions

	Growth Enterprise Market	Main Board
	announcement under the GEM Listing Rules, and ending on the date of the results announcement.	
News dissemination requirements		
Principal publication channel	<ul style="list-style-type: none"> • Mainly through the GEM website supplemented by press release to all gazetted newspapers • Printed copies of half-yearly reports and quarterly reports are required • Printed copies of listing documents/circulars and annual reports are required 	<ul style="list-style-type: none"> • Mainly through newspapers and teletext (p39.2 statements) • Printed copies of half-yearly reports are required • Same as GEM
Suspension and resumption of trading		
Suspension and resumption	<p>Suspension if price sensitive information cannot be released but such suspension normally should not be more than half a day</p> <p>If an issuer cannot come up with an announcement within the half-day trading session, the Exchange will ask the issuer to release a holding announcement stating that price sensitive information has yet to be released and to request a resumption</p> <p>The Exchange has explicit power to resume a counter</p>	<ul style="list-style-type: none"> • Same as GEM except that in practice, suspension will not normally be lifted until the next morning session and if an issuer cannot come up with an announcement, the counter will continue to be suspended until an announcement has been made • No such specific requirement
Delisting		
Delisting procedures	<ul style="list-style-type: none"> • An issuer must have a sufficient level of operations 	<ul style="list-style-type: none"> • An issuer must have either a sufficient level of operations

	Growth Enterprise Market	Main Board
	<p>in order to satisfy the listing qualification on GEM; otherwise it may be delisted.</p> <ul style="list-style-type: none"> • Simplified procedures which would enable an issuer to be delisted in 6 months. • The Exchange reserves the absolute right at any time to delist a counter if there is a serious breach of the GEM Listing Rules 	<p>or sufficient assets in order to satisfy the listing qualification on the Main Board; otherwise it may be delisted.</p> <ul style="list-style-type: none"> • Take some 18 months
Share repurchases		
Restriction on monthly repurchases	<p>Same restrictions as the Main Board except :</p> <ul style="list-style-type: none"> • The monthly repurchase limit has been removed • An issuer cannot make the opening bid nor any bid in the last 30 minutes before the close of normal trading hours • The purchase price should not be higher than the latest independent bid price or the last independent sale price quoted on the system 	<p>Principal restrictions include:</p> <ul style="list-style-type: none"> • Repurchase allowed only if a mandate is given by shareholders. The maximum number of shares an issuer can repurchase is 10% of the existing issued share capital during the effective period of the mandate. Such mandate must be renewed by shareholders in a general meeting or the next AGM; otherwise it will expire at the next AGM. • A monthly repurchase limit of 25% of previous month's share turnover

Appendix B

PRC Application and Approval Procedures

Qualification Requirement

The applicant must be an entity which is (a) duly incorporated and operated as a joint stock limited company; (b) did not materially breach of laws and regulations in the recent two years; (c) meets the qualification requirements prescribed under the GEM Listing Rules; and (d) has retained a qualified sponsor to support the application and bear the underwriting liability.

Approval Procedure and Documentary Requirements

- Step One: three months prior to the submission to the HKSE of the listing application, the sponsor should submit to the CSRC, on behalf of the applicant, the (a) company's application letter; (b) sponsor's report in respect of feasibility study and intent of underwriting; and (c) approval documents on the incorporation of the company. A copy of the foregoing documents shall also be sent to the provincial government and the ministry in charge of the applicant.
- Step Two: within 20 clear days following the receipt of the documents referred to above, the CSRC shall issue a notification informing the acceptance/rejection of the application.
- Step Three: upon obtaining the CSRC's notification of acceptance, the applicant may submit (a) a PRC legal opinion issued by a qualified PRC law firm confirming the lawful incorporation and operation of the company; (b) the accountant's audit report on the company which is prepared in accordance with the international accounting standards; (c) the approval issued by the authority in charge of State-owned assets in respect of the management of State-owned shares (if applicable) and (d) the comparatively completed draft of the prospectus.
- Step Four: within 10 clear days following receipt of the documents referred to above, the CSRC shall issue, after consultation with the other governmental agencies, the approval/rejection letter to the applicant.

Appendix C

List of GEM Sponsors

(In alphabetical order)

	Name of firms	Effective Date
1.	ABN AMRO Asia Corporate Finance Limited	03/04/2000
2.	AMS Corporate Finance Limited	18/10/2000
3.	Anglo Chinese Corporate Finance Limited	05/01/2000
4.	Asia Investment Capital Limited	15/09/1999
5.	Barits Securities (Hong Kong) Limited	22/05/2002
6.	BNP Paribas Peregrine Capital Limited	15/09/1999
7.	BOCI Asia Limited	15/09/1999
8.	Celestial Capital Limited	15/02/2001
9.	China Everbright Capital Limited	18/12/2002
10.	CITIC Capital Markets Limited	06/11/2002
11.	CLSA Equity Capital Markets Limited	03/11/1999
12.	Core Pacific-Yamaichi Capital Limited	15/09/1999
13.	Credit Suisse First Boston (Hong Kong) Limited	15/09/1999
14.	CSC Asia Limited	24/11/1999
15.	Dao Heng Securities Limited	15/09/1999
16.	DBS Asia Capital Limited	15/09/1999
17.	Deloitte & Touche Corporate Finance Limited	03/05/2000
18.	Deutsche Bank	19/04/2000
19.	Ernst & Young Corporate Finance Limited	07/02/2001
20.	First Shanghai Capital Limited	16/01/2002
21.	Goldman Sachs (Asia) L.L.C.	15/09/1999
22.	Guotai Junan Capital Limited	30/01/2002
23.	Hantec Capital Limited	13/06/2001
24.	Hongkong and Shanghai Banking Corporation Limited	29/01/2001
25.	ICEA Capital Limited	15/09/1999
26.	ING Bank N.V.	12/11/2001
27.	J. P. Morgan Securities (Asia Pacific) Limited	12/3/2003
28.	JS Cresvale Securities International Limited	30/01/2002
29.	Kim Eng Capital (Hong Kong) Limited	31/10/2001
30.	Kingston Corporate Finance Limited	30/01/2001
31.	Kingsway Capital Limited	19/04/2000
32.	Lehman Brothers Asia Limited	15/09/1999
33.	Masterlink Securities (Hong Kong) Corporation Limited	13/06/2001
34.	Merrill Lynch Far East Limited	15/09/1999
35.	Morgan Stanley Dean Witter Asia Limited	15/09/1999
36.	N. M Rothschild & Sons (Hong Kong) Limited	03/04/2000
37.	Oriental Patron Asia Limited	15/09/1999
38.	Platinum Securities Company Limited	15/09/1999
39.	Polaris Securities (Hong Kong) Limited	05/12/2001

	Name of firms	Effective Date
40.	Rexcapital (Hong Kong) Limited	26/04/2000
41.	Salomon Smith Barney Hong Kong Limited	15/09/1999
42.	SBI E2-Capital (HK) Limited	19/06/2002
43.	SG Securities (HK) Limited	15/09/1999
44.	Shenyin Wanguo Capital (HK) Limited	26/01/2000
45.	Somerley Limited	28/11/2001
46.	South China Capital Limited	13/11/1999
47.	Sun Hung Kai International Limited	28/03/2001
48.	Tai Fook Capital Limited	15/09/1999
49.	TIS Securities (HK) Limited	25/02/2000
50.	UBS Warburg Asia Limited	15/09/1999
51.	UOB Asia (Hong Kong) Limited	27/04/2001
52.	VC CEF Capital Limited	05/07/2000
53.	Worldsec Corporate Finance Limited	20/10/1999
54.	Yu Ming Investment Management Limited	02/08/2000

The following Sponsors have been admitted to act as co-sponsors only.

(In alphabetical order)

	Name of firms	Effective Date
1	Alpha Alliance Securities Limited	07/08/2002
2	Altus Capital Limited	03/07/2002
3	Grand Cathay Securities (Hong Kong) Limited	17/04/2002
4	Quam Capital Limited	12/03/2003

22/03/2003