

Press Release
LCQ2: Growth Enterprise Market
Wednesday, May 6, 2015

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (May 6):

Question:

It has been reported that in recent years, the responsible persons of quite a number of companies, at the time when they applied for listing their companies on the Growth Enterprise Market (GEM), had already planned for reselling their companies for profit after raising capital. There are views that the current operating situation of GEM is running contrary to the initial concept of establishing GEM, which was that it would become a channel for companies with growth potential (especially emerging enterprises) to raise capital, and the authorities should therefore conduct a review of the roles, functions and market positioning of GEM. In this connection, will the Government inform this Council:

- (1) whether it knows the number of newly-listed companies on GEM in each of the past five years, and the percentage of such number in the total number of newly-listed companies in Hong Kong in that year;
- (2) whether it knows the number of companies which transferred their listings from GEM to the Main Board in the past five years; and
- (3) whether the authorities have, since the establishment of GEM, conducted any detailed study on the roles, functions and market positioning of GEM; if they have, of the results?

Reply:

President,

- (1) The number of newly-listed companies on the Growth Enterprise Market (GEM) in each of the past five years, and the percentage of such number in the

total number of newly-listed companies in Hong Kong in that year, are set out at Table 1 of Annex.

(2) The number of companies which transferred their listings from GEM to the Main Board in the past five years is set out at Table 2 of Annex.

(3) The Stock Exchange of Hong Kong (SEHK) launched GEM in November 1999. In January 2006, it published a discussion paper setting out, for discussion and comment by the market, options for further development of GEM. As a result of this consultation exercise and its discussion with the Securities and Futures Commission, the SEHK considered that the proper way forward was to reposition GEM as a second board, under which GEM would largely retain its existing structure and be positioned as a stepping stone towards the Main Board.

In order to implement the plans to develop GEM as a second board, the SEHK published in July 2007 a consultation paper on GEM setting out a number of proposed changes to the Rules Governing the Listing of Securities on GEM (GEM Listing Rules). The changes mainly aimed to codify the existing practice on GEM and streamline procedures so as to make listing on GEM more attractive to smaller issuers. Consultation conclusions were published in May 2008 and the revamped GEM Listing Rules came into effect on July 1, 2008.

The SEHK conducted a review of the procedural matters of the listing process for GEM applications in 2014 and published the details in the Listing Committee Report 2014. Together with the regulator, it will continue to monitor the operation and development of GEM.

Ends