



GLOBAL OFFERING MECHANISM

In November 1994, the SFC and the SEHK jointly announced their regulatory policy regarding global offering mechanism. Due to recent market developments, the SFC and the SEHK believe it is timely to remind the market and the general public of the objectives and the policy with regard to this mechanism.

The global offering mechanism was adopted in Hong Kong to facilitate multi-jurisdictional equity offerings and to introduce flexibility and efficiency in the distribution of securities. To date, offerings employing the global offering mechanism have been apportioned between a public offering tranche and a book-building placement tranche and a person applying under the public offering tranche should not pay more than a placee under the placement tranche. Allocation of shares comprised in the public offering tranche should be made strictly on the basis of the number of shares applied for. Such allocation should be completely objective and on a strict pro-rata basis, it should therefore be independent of the applicant's identity, time of application and any relationship between the applicant and the issuer or any of its sponsors.

Allocation under the book-building placement tranche on the other hand is based on placement allotted by sponsors. Notwithstanding the flexibility afforded them in making allocation under the book-building system, sponsors are expected to make decisions on allocation in the placement tranche impartially and based only on criteria which are in the best interests of the issuer and general body of its investors. Under the placement system, sponsors are responsible for ensuring that due regard is given to all investors, and that all investors are treated fairly. The joint policy of the SFC and the SEHK on global offer mechanism is to permit the placement tranche to facilitate subscriptions for institutional and professional investors with sizeable demand for an offering. It is therefore expected that demand from retail investors be satisfied through the public offer tranche.

The SFC and the SEHK expect sponsors to handle the placement tranche in a professional manner and exercise their best judgement in the allocation exercise. Sponsors are also expected to be aware of the importance of ensuring that the offering mechanism is implemented in a professional manner which does not bring the market into disrepute. The SFC and the SEHK would be seriously concerned were the placement tranche to be abused to enable allotments to be made on a preferential basis to retail investors.

The SFC and the SEHK will be monitoring the utilisation and results of the global offering mechanism in the market, and will review this mechanism jointly.

For and on behalf of
Securities and Futures Commission
Laura M. Cha
Member of the Commission and Executive Director

For and on behalf of
The Stock Exchange of Hong Kong Limited
Herbert Hui
Deputy Chief Executive (Business Services)

July 1, 1996