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## **China Watch**

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#### **Special Provisions for Suspension and Termination of Listing of Shares on Small and Medium Enterprise Board**

In order to promote the regulatory development of companies listed on the Small and Medium Enterprise Board and to protect the lawful rights and interests of investors, Shenzhen Stock Exchange formulated the Special Provisions for Suspension and Termination of Listing of Shares on Small and Medium Enterprise Board (the “Special Provisions”) on 30<sup>th</sup> November 2006 in accordance with laws and regulations including the Company Law, Securities Law etc. The Special Provisions apply to matters such as implementation of risk alert on delisting of a company, suspension of listing, resumption of listing, information disclosure involved in the termination of listing, matters relating to the handling of suspended trading and resumption of trading. In respect of matters not provided under the Special Provisions, the Listing

Rules shall apply. The Special Provisions shall be implemented from 1<sup>st</sup> January 2007.

The Special Provisions have mainly added three major categories and seven indicators of delisting. The three categories include the financial category, the regulatory category and the market category, which can be specifically divided into seven types: negative shareholder interests, unusual audit report, wrongful use of capital, frequent public censure by the Stock Exchange, a high proportion of guarantee, the share price is lower than the nominal value and persistent low trading volume. The Special Provisions also have corresponding provisions for cancelling risk alert of delisting and resumption of listing.

Regarding the actual handling process such as the implementation of risk alert of delisting, cancellation of the risk alert of delisting, suspension of listing, resumption of listing and termination of listing etc, the relevant requirements in the Listing Rules shall remain in force.

The summary is only intended to provide an outline of certain recent developments in the PRC and is not intended to be relied upon or taken as legal advice provided by Sit, Fung, Kwong & Shum or Hong Kong Sit, Fung, Kwong & Shum Xi'an Representative Office. If you have any

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