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# Stock Exchange Proposes Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers

The Stock Exchange of Hong Kong Limited (the "Exchange") has published an exposure paper with regard to its proposal to abolish the requirement for Main Board issuers to publish paid announcements in the newspapers and other related matters.

The exposure paper includes a detailed description of the proposals and draft amendments to the Main Board and GEM Listing Rules and is available on [the website of the Exchange](http://www.hkex.com.hk). The Exchange has asked for comments on 3 specific issues to be submitted by January 13, 2006. The purpose of this note is to provide a summary of the proposals.

## Background

Main Board issuers are currently required to publish announcements by way of a paid announcement in at least one English-language and one Chinese-language gazetted newspaper. Since May 2001, they have also been required to submit electronic copies of announcements for parallel publication on the Exchange's website. Publication on the GEM website has however always been the only means of publication of announcements (in addition to publication on the issuer's own website) under the GEM Listing Rules.

## Two-phased Implementation

The Exchange proposes to move towards its ultimate goal of total abolition of the requirement for Main Board issuers to publish paid newspaper announcements in two phases. In Phase 1, it is proposed that Main Board issuers should be required to publish a short-form announcement in the newspapers instead of the full announcement which will be published on the websites of both the issuer and the Exchange.

## Summary Announcements vs. Notifications

The Exchange is seeking views from the market as to whether the short-form announcement should be a summary announcement, that is a summary of the contents of the full announcement, or a notification serving only to notify investors of the publication of the full announcement on the websites of the issuer and the Exchange.

The Exchange's summary of the advantages and disadvantages of each is reproduced below:

**Advantages**

**Disadvantages**

**Summary announcement**

Contains more information than a notification so this may help to ensure that the transition to total abolition of paid announcement is less abrupt

Risk of summary being incomplete or misleading

Some announcements are not easy to summarise, in which case the full announcement may need to be published

Investors may place total reliance on the summary announcement only

**Notification**

Short, simple pro forma format

No risk of summary being incomplete or misleading

Encourages investors to refer to the full announcements

No meaningful information, may not always provide investors with sufficient information at first glance to decide whether to look at full announcement

Investors must refer to full announcement for meaningful information

## Timetable for Implementation

To allow issuers time to prepare for the new requirements, it is proposed that the transitional phase during which a short form announcement will be required to be published in the newspaper should commence at least 6 months after the finalised Rules are announced to the market. It is proposed that the transitional phase will last 9 months after which announcements will be published only on the websites of the Exchange and the issuer. The Exposure Paper invites comments on the proposed implementation timetable.

## Use of HKEx-EPS

All documents (eg. announcements and circulars) submitted for publication on the Exchange's website and GEM website will be required to be submitted electronically via the Internet using the HKEx Electronic Publication System ("HKEx-EPS"). Submission by fax, diskette or CD-ROM will no longer be accepted. Electronic copies of documents submitted for publication on the Exchange's website or the GEM website will be required to be in a text-searchable format.

Various security measures are proposed, including the use of two passwords whenever an announcement is submitted for publication. One password will be input by the person submitting the document while the other will be input by the person giving the final approval for publication. Passwords will be issued to each issuer periodically and will be sent by registered mail to issuers' authorized representatives who will need to acknowledge receipt in order for the passwords to be activated. Issuers may give their passwords to their advisers so that documents may be submitted on their behalf. It is also proposed to add a Chinese interface to HKEx-EPS.

## Operational model

The proposed operational model is summarised below.

### 1. Publication on Websites of both the Exchange and the Issuer

The full announcement of a Main Board issuer (i.e. existing issuers and new listing applicants) will be published on the Exchange's website and on the issuer's own website (if any). The requirement for a Main Board issuer to publish on its own website will cover all documents requiring publication on the Exchange's website, i.e. not only announcements, but also circulars, annual and interim reports, listing documents etc. Publication on an issuer's own website should be effected simultaneously with submission of the electronic copy to the Exchange for publication and, in any event, must occur within one hour of such submission. As is the case for GEM issuers, the announcement or other document must remain on the issuer's website for at least 5 years.

The Listing Rules require the publication of both English and Chinese language versions of documents. Simultaneous submission of the electronic copies of both language versions will be required, except for the English and Chinese versions of listing documents of new applicants and listed issuers' annual reports, which may be submitted one immediately after the other.

If a Main Board issuer does not have its own website, it will, in the case of an announcement, have to publish the full announcement in the newspapers as well as on the Exchange's website. It will not be required to additionally publish a short-form announcement. The full announcement will be required to be published on the business day next following its submission to the Exchange for publication.

An issuer may also choose to publish a full announcement in the newspapers in addition to publication on the Exchange's website. All announcements which are published in the newspapers pursuant to the Listing Rules (i.e. either because the issuer does not have its own website or because it has chosen to do so) must state where on the Internet (i.e. the Exchange's website and the issuer's website (if any)) the full announcement can be viewed.

All documents required to be published on the Exchange's or GEM website will be required (wherever published) to set out in a prominent position at the top of the document all appropriate headlines, selected by the issuer from such list of headlines as the Exchange may from time to time prescribe. The short-form announcement will also have to contain the same headlines in a prominent position at the top. A list of these headlines is set out in the Exposure Paper at Appendix E. The same headlines must also be selected when a document is submitted through HKEx-EPS. This is intended to enable automatic sorting of announcements and other documents along thematic lines and to facilitate online searches by the public.

### 2. Registration by New Listing Applicants and Confirmation from Sponsors

New listing applicants also publish announcements on the Exchange's website and GEM website, such as formal notices and announcements of allotment results. It is proposed that new listing applicants will in the future be required to submit HKEx-EPS registration application forms to the Exchange at the time of submission of the advance booking form rather than prior to the bulk-printing of the prospectus, which is the current requirement. Passwords will then be issued to the listing applicant once the listing application has been approved in principle by the Listing Committee.

The Exchange also proposes to remove the current requirement for submission of electronic copies to be accompanied by a confirmation letter from the issuer or new listing applicant that the document has been cleared by the Listing division or that the document is required to be published.

Instead, it is proposed that in the case of both Main Board and GEM new listing applicants, a written confirmation from the sponsor confirming that it has reviewed the announcement and is satisfied that it is appropriate for publication on the Exchange's or GEM website must be received by the Exchange before the announcement is submitted through HKEx-EPS for publication. It is claimed that this proposal will enforce sponsors' responsibility with respect to the contents of announcements. One of the terms of the sponsor's undertaking required to be given under Rule 3A.03 (GEM Rule 6A.03) is that the sponsor will use reasonable endeavours to ensure that all information provided to the Exchange during the listing process is true in all material respects and does not omit any material information.

### 3. Submission Deadlines

The Listing Division's current timetable is as follows:

**Time**

**Action**

5.00 p.m.

Submission of the final version of the announcement to the Listing Division in a clearable form or a form which requires only minimal comments in order to be cleared.

7.00 p.m.

Clearance of the announcement by the Listing Division.

9.00 p.m.

Submission of an electronic copy of cleared announcement to ISD for publication on the Exchange's website or GEM website before the market opens the following business day.

It is proposed that the 5.00 p.m. and 7.00 p.m. deadlines will be strictly enforced. On the implementation of Phase 1, the 9.00 p.m. deadline for submission of electronic copies for publication will be extended to 11.00 p.m. in the case of Main Board issuers. The new 11.00 p.m. deadline will apply to all documents, and not just announcements, which are required to be published on the Exchange's website before the market opens on the following day.

Documents will be published on the Exchange's website on receipt of the electronic copy. As with current GEM practice, publication of announcements will not normally take place during trading hours.

Where the 11.00 p.m. deadline falls on a business day immediately before a day which is not a business day, it is proposed that issuers may submit documents through HKEx-EPS for publication between 6.00 p.m. and 8.00 p.m. on the day immediately before the next following business day. For example, if the day for submission of an electronic copy falls on a Friday, the electronic copy may be submitted between 6.00 p.m. and 8.00 p.m. on Sunday or, if Monday is a statutory holiday and Tuesday is a business day, between 6.00 and 8.00 p.m. on Monday. However, clearance of the document would need to have been given by 7.00 p.m. on the last business day before the window (i.e. in the example given, Friday).

The position for GEM issuers will be as follows. Notwithstanding the official 9.00 p.m. deadline under the "5-7-9" model described above, GEM issuers currently have a de factograce period of until 9.30 a.m. the next business day to publish their announcements on the GEM website. Since, unlike Main Board issuers, GEM issuers will not have to publish short-form announcements in the newspapers, there will be no change to the current timetable for GEM issuers. Therefore, the proposed 11.00 p.m. deadline will not apply to GEM issuers.

### 4. Timing of Submission of Documents for Publication

With the exception of announcements made pursuant to Rule 13.10 or Paragraph 26 of Part H of Appendix 7 of the Main Board Listing Rules (or rule 17.11 of the GEM Listing Rules) in response to unusual share price movements or turnover, electronic copies of documents may not be submitted to the Exchange for publication during the following times:

1. trading hours; and
2. between 12.30 p.m. and 2.30 p.m. on a business day (other than full preliminary results announcements which may be submitted and published between 12.30 p.m. and 1.30 p.m. on a business day).

### 5. Publication of Short-form Newspaper Announcements

As noted above, Main Board issuers will be required to publish a short-form announcement in the newspapers during the transitional period. Publication in the newspapers will be required on the business day next following submission of the electronic copy of the full announcement to the Exchange for publication on its website. This will ensure that the full announcement will be on the Exchange's website by the time the short-form announcement appears in the newspapers.

If the Exchange adopts summary announcements rather than notifications, the summary announcement will also be published on the Exchange's website immediately after publication of the full announcement on the website. If, however, notifications are adopted, they will not be published on the Exchange's website.

The issuer will also have to publish the summary announcement on its own website either at the same time as or within one hour of submission of the electronic copy of the summary announcement to the Exchange for publication. The short-form announcement, whether a summary announcement or a notification, will also be posted on the AMS/3 terminals where it relates to a pre-vetted announcement or is a notification of a preliminary results announcement. The short-form announcement will not require clearance from the Exchange prior to publication. All short-form announcements will have to state where on the Internet (i.e. the Exchange's website and the issuer's own website (if any)) the full announcement can be viewed.

### 6. Full Announcements to be Available for Inspection

To cater for investors without Internet access, any Main Board issuer that has published a short-form announcement in the newspapers will also be required to make the full announcement available for inspection during business hours at no charge at its principal place of business in Hong Kong (in the case of a listed issuer) or at certain prescribed locations (in the case of a listed issuer or new applicant). The inspection period will have to commence on the day on which the short-form announcement is published in the newspapers. It must continue for at least one month or until such time as the relevant corporate communication is sent to shareholders by the listed issuer or distributed to the public in the case of a new applicant, whichever is the later. If no corporate communication is to be issued, it must be for at least 10 consecutive business days. The issuer will have to provide a copy of the announcement or notice free of charge to any person on request.

### 7. Proposed Abolition of Short-form Preliminary Results Announcements

Currently, Main Board issuers' short-form preliminary results announcements are published on the Exchange's website and on AMS/3 terminals typically in advance of the publication of the corresponding full preliminary results announcements. The Exchange proposes to abolish totally the publication of short-form preliminary results announcements (i.e. on the Exchange's website and on AMS/3 terminals) upon the commencement of Phase 1. The abolition of short-form preliminary results announcements will also apply to GEM. In other words, full preliminary results announcements only will be published on the Exchange's or GEM website and on the issuer's own website.

Irrespective of whether the Exchange ultimately adopts notifications or summary announcements, during Phase 1, Main Board issuers will also need to publish in the newspapers a notification of the preliminary results announcement, annual, interim and (if applicable) quarterly. The notification will have to be published in the newspapers on the business day next following submission of the electronic copy of the relevant preliminary results announcement to the Exchange for publication.

The Consultation Paper also invites comments on a series of exceptions to the proposed anti-avoidance provision. These include:

### 8. Suspensions

If an announcement which requires pre-vetting is not cleared by the Listing Division by the 7.00 p.m. deadline, it will not be published on the Exchange's or GEM website before the market opens the following day. Generally, the Exchange does not propose to publish on any given evening any announcement or other document received after 11.00 p.m. In the case of a vetted announcement or announcement containing price sensitive information of a listed issuer, trading in its securities may need to be suspended.

During Phase 1, if a short-form announcement is not published in the newspapers on the business day next following submission of the electronic copy of the full announcement to the Exchange for publication on its website, the issuer will need to provide the Exchange with reasons for its consideration. If the issuer has made no effort to publish the short-form announcement and the transaction is a significant one, a suspension may be necessary. The short-form announcement would then need to be published the following business day for resumption purposes.

However, trading in a listed issuer's securities is not likely to be suspended if all the following conditions are satisfied on any given morning:

1. the full announcement is not a results announcement;
2. it is not price sensitive (as informed and confirmed by the listed issuer) and the announcement is not one where a suspension is prescribed under the Listing Rules in the event of a failure to publish such announcement by the relevant time;
3. there has not been any unusual movement in share price or turnover or media interest; and
4. the information can be kept confidential.

In certain cases a resumption of trading will be permitted at 2.30 p.m. if specified conditions are satisfied. These would be where the suspension was due to the electronic copy of the announcement not having been received by the 11.00 p.m. deadline on the evening of the previous day (or in the 6.00 and 8.00 p.m. window referred to in section 3 above, if applicable) and the circumstances were such that a suspension is required (i.e. the conditions listed above were not met). If, in such cases, the electronic copy of the announcement is received by the Exchange and published on the Exchange's website between 6.00 and 9.00 a.m. on the relevant morning and the short-form announcement was also published in the newspapers on that morning, a resumption of trading at 2.30 p.m. may be allowed. In such cases, the issuer will need to inform the market of the afternoon resumption ahead of time (possibly by 9.00 a.m.) by means of any appropriate statement published on the Exchange's website.

### 9. Publication on AMS/3

Currently, issuers submit an electronic copy of a text (i.e. ASCII) file of any pre-vetted announcement for release on the Exchange's AMS/3 terminals which are used by Exchange participants on the trading floor. This is in addition to the electronic copy for publication on the Exchange's website which is in Adobe Acrobat or MS Word format.

During Phase 1, the Exchange proposes to continue to require issuers to send the Exchange text files, but only for the short-form announcements where they relate to pre-vetted announcements or are notifications of preliminary results announcements, online through HKEx-EPS, for release of the information on the AMS/3 terminals.

## Phase 2

Upon implementation of Phase 2, Main Board issuers will no longer be required to publish announcements in the newspapers for the purpose of the Listing Rules except where the issuer does not have its own website (see Section 1 above). Issuers will also have the option of publishing announcements in the newspapers in Phase 2 if they wish to do so in addition to publication on the Exchange's website.

The following aspects of the Phase 1 operational model will remain in place for the duration of Phase 2 and thereafter:

1. mandatory use of HKEx-EPS for submission of electronic copies of all documents for publication on the websites of the Exchange and GEM and the requirement for electronic copies to be in text-searchable format;
2. the requirement for electronic copies of the English and Chinese versions of all documents to be submitted simultaneously and that, where the file size of the document exceeds a preset limit determined by the Exchange, the English and Chinese versions must be split into more than one file;
3. the 11.00 p.m. deadline for Main Board issuers to submit electronic copies of documents for publication on the Exchange's website (subject to the 6.00 to 8.00 p.m. window referred to in Section 1 above);
4. the requirement that all documents required to be published on the Exchange's website or GEM website must (wherever published) set out in a prominent position at the top of the document all appropriate headlines, selected by the issuer from a list of headlines prescribed by the Exchange;
5. the requirement to publish on the issuer's own website all documents requiring publication on the Exchange's website or GEM website and to retain such documents on the website for five years;
6. the requirement for a Main Board issuer which does not have its own website, in the case of an announcement, to publish the full announcement in the newspapers as well as on the Exchange's website;
7. in the case of Main Board and GEM new listing applicants, the written confirmation from the sponsor (see Section 2 above);
8. the requirement for all full announcements which are published in the newspapers by Main Board issuers to state where on the Internet (i.e the Exchange's website and the issuer's own website (if any) the full announcement can be viewed; and
9. the publication of all documents on the websites of the Exchange and GEM in English and Chinese.

*This note is intended as a summary only of the proposals contained in the Exchange's Exposure Paper entitled "Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters". Specific advice should be sought in relation to any particular situation.*

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