

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes and provide reasons to support your views. Where there is insufficient space, please attach additional pages as necessary.

1. Do you agree that the Hong Kong market should not adopt a model without a halt in trading after the release of PSI during trading hours (i.e. the UK model as described in paragraph 48)?

Yes

No

Please give reasons for your views.

We consider it advisable to adopt a short trading halt (of 30 mins) after the release of price sensitive information (“PSI”) during trading hours to ensure that analysts, the media and investors, especially retail investors, have an opportunity to evaluate material information released, while balancing the need to avoid an unduly long trading halt and interruption to liquidity. The proposal would give issuers a brief opportunity to assess initial media or analyst reactions to the PSI released. It would also help reduce price fluctuations and facilitate orderly trading by giving investors an opportunity to evaluate the information, including amending or cancelling trading orders placed if desired when this proposal is implemented together with the auction referred to in Question 13.

2. Do you agree with our proposal to allow publication of PSI announcements on the HKExnews website during trading hours subject to a short trading halt?

Yes

No

Please give reasons for your views.

We consider it appropriate to allow publication of PSI announcements during trading hours subject to a short trading halt. In contrast to the current regime where issuers are unable to publish PSI during trading hours and have to publish during one of the “pre-” or “post-” trading “windows”, the proposal allows issuers who have the need to do so to more quickly disseminate PSI during trading hours. The proposal should lead to more accurate intraday prices in securities and bring HK more in line with major markets (a number of which allow publication of PSI throughout the day.)

There will no doubt be cases where investors, in particular retail investors, lag behind the flow of information. Along with the introduction of the trading halt proposal, the Exchange should initiate an awareness campaign so that the market is aware that they are expected to take a more active role in monitoring the dissemination of information by issuers.

3. Do you agree that the maximum period for which a trading halt may be granted is two trading days and the trading halt will be treated as suspension thereafter if the issuer fails to publish the PSI announcements by end of the following trading day after the trading halt is imposed?

- Yes
 No

Please give reasons for your views.

As a trading halt is used to allow issuers to disseminate PSI during trading hours, the length of the trading halt and therefore the interruption to liquidity should not be unduly long. A two-day period appears to strike the right balance between the time an issuer would need to finalise the announcement and interruptions to trading. If after making a request for a trading halt an issuer discovers that it needs more time to finalise and publish the announcement, an issuer should be given the option to request a longer-period of suspension, with such issuer request to be granted unless there are extraordinary reasons not to. This will afford issuers added flexibility, when needed, to finalise an announcement.

4. Do you agree that results announcements should be published during the existing publication windows as far as possible?

- Yes
 No

Please give reasons for your views.

Results announcements may be very important information for investors to assess the position of an issuer. We consider that issuers should be given more flexibility in determining when they may publish their results. This includes providing issuers with the choice of releasing results during trading hours if an issuer considers doing so is in its and its shareholders' best interest. The current regime, which includes a mandatory seven clear business days pre-notice to the market on the date of board meetings when results will be approved prior to publication, means that investors will receive prior notice of when results will be released and the timing of such release will not catch the market by surprise.

5. Do you agree that the existing arrangement for non-PSI announcements to be published outside trading hours should remain unchanged?

- Yes
 No

Please give reasons for your views.

Given the subject matter of non-PSI announcement is relatively immaterial for investors, we consider it appropriate to let investors focus on PSI announcements during trading hours and not cause any more interruption to trading.

6. Do you agree that the trading halt should not apply to dually listed issuers under the circumstances as described in paragraph 57 above?

Yes

No

Please give reasons for your views.

Investors in the same issuer in Hong Kong and overseas should be placed in an equal position. It would be unfair to the investors in Hong Kong if they cannot trade in the securities of an issuer while investors in the London Stock Exchange, for example, can trade the same issuer's securities. We therefore agree that the trading halt should not apply to Hong Kong-London dually listed issuers. Alternatively, it should be mandatory for dual-listed issuers to procure relevant suspension in both markets.

7. What is the minimum period for a trading halt after the publication of PSI announcement?

30 minutes

45 minutes

60 minutes

Other, please specify and give reasons

In order to minimise trading halt and maintain liquidity, we consider that it is a good balance to set the minimum period under consideration of 30 minutes. This would be consistent with the current information dissemination practice which provides at least 30 minutes to allow investors to digest the content of announcements.

8. Do you agree that trading halts should be lifted at regular intervals?

on the quarter hour

on the half hour

Other, please specify and give reasons

Trading resumptions should take place at regular and predictable intervals so that the market is clear on and is well aware of the practice. We consider that the trading of stock shall be resumed as soon as possible, provided that there is a short trading halt to allow investors to consider the PSI announced. On balance, trading resumption on the quarter hour is appropriate for better market awareness and ease of administration.

9. Do you agree that at least 30 minutes of trading should be provided after lifting of a trading halt?

Yes

No

Please give reasons for your views.

It is likely that the volume of stock trading will increase significantly after release of a PSI announcement. Sufficient trading time should therefore be provided after lifting of a trading halt to avoid or minimise volatility, in particular to “closing prices” which is a commonly used reference point for a variety of purposes e.g. in determining the benchmark price for discount, or the strike price of employee options under current Listing Rules.

10. Do you agree with the proposed notification arrangements for the trading halt and resumption information as set out in paragraph 64?

Yes

No

Please give reasons for your views.

Adequate and timely information relating to the occurrence and period of a trading halt, the time of lifting a trading halt and, if put in place, the price auction period, should all be communicated to investors in an effective manner with as much lead time as possible. A separate, reliable webpage of HKEx of which investors are used to, such as the HKExnews webpage, is a sensible suggestion.

We suggest that investors also be notified of relevant update of that webpage by the HKEx News Alert service, being a method that investors are used to.

11. Do you agree that all existing orders of the securities entered before a trading halt or a suspension be purged by the Exchange at time of the halt?

Yes

No

Please give reasons for your views.

We agree as this would avoid disorderly market. Leaving orders in the trading system would be unfair to investors as the order price may not reflect the newly disseminated information. This may lead to unnecessary complaints from investors to issuers or exchange participants when orders left in the system were 'automatically' executed post resumption of trading.

12. Do you agree that all existing orders of the Exchange's stock options / futures market practices should remain unchanged (i.e. all outstanding orders will be purged automatically by the system at the time of trading halt of the underlying stocks)?

Yes

No

Please give reasons for your views.

It is our observation that this proposal should avoid disorderly market. Leaving orders in the trading system would be unfair to investors as the order price may not reflect the newly disseminated information.

13. Do you agree with the implementation of a single price auction upon lifting of a trading halt?

Yes

No

Please give reasons for your views.

The price auction facilitates the discovery of the market price of a stock after investors are made aware of, and have an opportunity to evaluate, the PSI announced, and should thus help minimise volatility in price movement. Such a proposal reduces the risks arising from an overly large number of order inputs and trade when trading resumes.

14. Do you agree with the implementation of a single price auction also applies for trading resumption at the commencement of afternoon trading session upon lifting of a trading

halt following the release of a PSI announcement during the lunch publication window?

Yes

No

Please give reasons for your views.

Please refer to our answer to Questions 13.

For parallel treatment with regular trading sessions, we consider that a single price auction shall also apply for trading resumption at the commencement of afternoon trading session upon lifting of a “suspension”.

15. Do you agree that if an issuer has not requested for any trading halt or suspension of its securities and is able to maintain the confidentiality of the PSI announcement before releasing it during the lunch publication window, in these circumstances the single price auction will apply to the issuer’s securities?

Yes

No

Please give reasons for your views.

Please refer to our answer to Questions 13

16. Do you agree that a single price auction will only apply to securities traded in the securities market upon lifting of a trading halt of the underlying?

Yes

No

Please give reasons for your views.

As we are not an issuer of any derivatives and we have only ordinary shares listed on the Exchange, the scope of this question is not within our current areas of focus.

17. Do you agree with the proposed duration of the mid-session auction (i.e. 10 minutes)?

Yes

No

Please give reasons for your views.

10 minutes mid-session auction is consistent with the existing pre-opening session.

18. How much lead time would be required after the relevant system specifications were available to prepare for the implementation of trading halts?

Three months

Six months

Other, please specify and give reasons

We anticipate that, as an issuer, we can follow the requirements of the new regime with three months prior notice of the relevant system specifications. We are mindful, however, that market intermediaries may need a longer time to adjust their system to, in particular, provide a reliable means of notifying any trading halt to certain of their customers and handle their orders as indicated in the Consultation Paper. We believe the Exchange will give due consideration to this last point in order to ensure an orderly transition to and implementation of the new regime.

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