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The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

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10 May 2012

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)

Dear Sirs

Continuous disclosure obligations of issuers

This letter reminds you of your disclosure obligation under the Listing Rules in light of some recent enquiries concerning issuers' handling of market comments and negative publicity on their accounting and corporate governance issues.

The Rules require issuers to keep investors and the public fully informed of all factors which might affect their interests. In particular, an issuer must timely disclose any information which is necessary to enable investors and the public to appraise the position of its group or which might reasonably be expected to have a material effect on market activity in and the price of its securities. It must also disclose information necessary to avoid the establishment of a false market in its securities.

Where there is rumour or speculation regarding an issuer circulated in the market, its directors should promptly and carefully assess whether a disclosure obligation arises under the Rules. Although an issuer is not expected to respond to all market comments, if any comment has, or is likely to have, an effect on the issuer's share price such that there may be a potentially false market, it should make a clarification announcement or request a trading halt pending the clarification to address potential or actual market disorder.

We also refer you to our letter to issuers titled "*Recent economic developments and the disclosure obligations of listed issuers*" of 31 October 2008 (<http://www.hkex.com.hk/eng/rulesreg/listrules/listletter/documents/20081031.pdf>). In particular, the letter has provided general guidance on handling market rumours:

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While the Exchange does not usually require an issuer to make a negative statement denying a wholly unfounded rumour, if the issuer does decide to make such a denial it should consider doing so by making a formal announcement, rather than just making such a remark to a single publication or by way of a press release. This will ensure that the whole market is informed rather than just the readers and viewers of selected newspapers or media services. In addition, issuers should bear in mind that such denials can sometimes have a material effect on its share price. If this is likely to be the case, then a formal announcement is required. Likewise, when an issuer is concerned that the reaction to a wholly unfounded rumour will or is creating a disorderly market the issuer should issue a corrective announcement without delay.

The Listing Division is likely to contact an issuer or its advisers if there are rumours relating to it in the media. We will not necessarily require an announcement, but will expect a full justification for the issuer's proposed course of action and confirmation of the issuer's true position so that we can monitor developments properly. The issuer and its advisers should not seek to mislead us in these circumstances, as the issuer is obliged to provide this information under Main Board 13.10 (GEM Listing Rule 17.11). An issuer's response to rumours may be investigated by us subsequently, particularly if it appears that we may have been misled at any point.

To ensure compliance with the continuous listing obligations, it is important for issuers to establish procedures to actively monitor their share price and any news, comments or reports relating to them circulated in the market. Directors should also ensure that they have a proper understanding of the issuer's business, financial position and prospects and there is an effective system for them to continuously monitor developments so that they can promptly and accurately respond to our enquiries concerning the issuer's affairs and where necessary publish announcements to correct or prevent a false market.

In addition, issuers are encouraged to adopt the practice of publishing announcements relating to their business operations and developments (e.g. trading update) more regularly to promote transparency. This will keep the market up to date and reduce the likelihood of a need for unplanned announcements.

If you have any questions on compliance with the Listing Rules, please contact our case officers.

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited

[Signed]

Mark Dickens JP
Head of Listing

c.c. Market practitioners

Notes

- **Following the statutory backing of an issuer's continuing obligation to disclose inside information, consequential amendments were made to the Rules with effect from 1 January 2013. The old Rule 13.09(1) is now replaced by Rules 13.09(1) and (2)(a) which require disclosure of (i) information necessary to avoid a false market and (ii) inside information which requires disclosure under the Inside Information Provisions.**
- **The guidance letter "Recent economic developments and the disclosure obligations of listed issuers" of 31 October 2008 has been withdrawn.**

(Added in January 2013)