

Private and confidential

13th January, 2006

by hand

The Listing Division
Hong Kong Exchanges and Clearing Limited
11/F., One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Attn: Ms. Anne Chapman

Dear Sirs,

**Exposure Paper – Abolition of the requirement for Main Board issuers
to publish paid announcements in newspapers and related matters**

Set out below are our comments on your Exposure Paper.

Ease of accessibility of information on the Hkex web-site

Like it not, it seems inevitable that public company information will be disseminated in its original form through the Internet. This is clearly the established trend elsewhere. For professional investors with access to online news and financial information services, this is already the case. For other investors, considerable reliance is still placed on the media; primarily the print media but increasingly also the websites of traditional newspaper publishers. In Hong Kong, we have had the advantage, in addition to what the media may wish to report on the affairs of listed issuers, of being able easily to access, through newspaper paid advertisements, exactly what the issuer has announced. Information on paper has considerable advantages over the Internet, provided it is easily accessed. In the case of paid announcements in English, this has been the case in Hong Kong as, with few exceptions, all paid announcements appear in one of two English language newspapers. The ease of access comes from the speed with which you can skim-read a page to decide whether you wish to read any particular part of it carefully. This is not generally possible on the Internet and it is definitely not possible on the HKex's existing website, which is a most laborious and time consuming site from which to extract information. We would, therefore, suggest that, if we are to rely on the electronic dissemination of information on listed issuers primary through the HKex, considerable improvements are made to the way information is presented and accessed or, if it is not, that encouragement be given for third parties to make this information available on a commercial basis. Specifically, information should not be ranked just by Headline Category but a brief description of the transaction. For example, rather than simply giving the issuer's name and the Headline Category, say, a major transaction, the transaction should be summarised: purchase of a company, engaged in a particular activity for a stated consideration. A Headline Category alone will not give any indication of the importance of an announcement. The Headline Category of a major transaction could refer to a comparatively small transaction, given the way the percentage

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ratios for notifiable transactions work, or to an unimportant aspect of the transaction such as a delay in the publication of a circular. We would also like to see that daily announcements could be downloaded together or by Headline Category, rather than the necessity at present of having to open each separate announcement before it can be read or downloaded. Ease of access should not only apply to announcements by issuers but also filings under the disclosure of interest provisions of the Securities and Futures Ordinance, which should be accessible by the name of the person making the filing and the issuer to which the filing relates. Presently this information is very time consuming to obtain through your website.

Many problems have beset the Growth Enterprise Market, one of which we believe is the invisibility of the market caused by the reliance on the transmission of announcements by issuers through the Internet. We would not like this to happen to small or medium sized companies on the Main Board. For this reason we would suggest that consideration be given to an automatic feed from the HKex to the media to encourage as comprehensive a coverage of the affairs of listed issuers as possible.

Summary or notification announcements

Our strong preference is for summary announcements rather than notifications. We do not accept the argument that a summary announcement places an issuer at risk from a legal challenge since any summary announcement will direct the reader's attention to where to full announcement can be obtained. As it stands, most announcements are overly long, legalistic and poorly drafted. A summary announcement would concentrate on the essentials of a transaction, which is what most investors wish to see. It is also likely to improve drafting and will allow the HKex to resuscitate its "Plain English Initiative" which we believe was mistakenly abandoned.

As issuers move towards an Internet based dissemination of announcements, it is essential that the formatting of announcements accommodate the way documents are read on a screen. For example, while most GEM issuers still adopt the practice, it seems absurd that definitions are given at the end of documents designed to be read on the Internet.

Transition period

We believe that nine months transition is a minimum and would prefer to see a longer period. In this regard we would suggest a full calendar year following the introduction of proposals. Further, it is apparent from the Exposure Paper that the work to improve HKex-EPS has not started. It does not seem sensible to set firm dates for Phase 2 until this system has been updated, is operating properly and users have had an opportunity to become fully acquainted with it.

Clearance and filing times

We have no difficulties with the times specified. Your comment in paragraph 53 of the Exposure paper which suggests that delays in the clearance of announcements are the sole fault of issuers, and by implication their advisers, is not fair. The time it takes to clear announcements is becoming a major problem to issuers. Delays, often of weeks, have commercial consequences, possibly to the detriment of the investing public. While not

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strictly part of this issue, as you have raised it, we believe urgent consideration needs to be given to streamlining the clearance process so that the Listing Division confines its attention to matters of material importance or, even better, a post vetting regime is introduced which we are certain will raise the quality of announcements immediately: in fact it will transform them. It will also enable the time required for announcements to be filed to the shortened so that the deadline can be brought forward, giving the media greater time to respond to issuers' announcements.

Issuers without websites

It is proposed that there be a different regime for issuers without websites. We believe this is entirely unnecessary and that every issuer should be required by the Listing Rules to maintain an active website as a condition for the continuation or grant of its listing. This alone would improve the ease of access to each issuer's announcements and results. All statutory filings should also be accessible on such websites.

Thank you for giving us the opportunity to comment on your Exposure Paper. Should any matter raised by us in response to it need further clarification, please let us know.

Yours faithfully,



Stephen Clark

SEC/cw

[Cecilia/exchange/Response to exposure paper]