

RESPONSES TO CONSULTATION PAPER “PROPOSED CHANGES TO PRACTICES ON DISSEMINATION OF LISTED ISSUERS’ ANNOUNCEMENTS”

Introduction

1. A total of 34 responses were received to the consultation paper published in March 2002 entitled: “Proposed Changes to Practices on Dissemination of Listed Issuers’ Announcements” (Consultation Paper).
2. Respondents supported most of the Consultation Paper proposals. HKEx sets out for the record a brief summary of the responses received.

Proposal to allow issuers’ announcements to be released during trading hours, subject to trading halts

3. Seventy-four per cent of respondents agreed with the proposal to allow announcements to be released during trading hours. Seventy-three per cent supported the view that trading halts were necessary for the purpose of readers’ digestion of the contents of announcements.
4. Some respondents thought that the imposition of trading halts should be weighed against the temporary loss of market liquidity and trading opportunity during the halt.
5. Some respondents requested that the Stock Exchange (Exchange) specify clearly the types of announcements that would trigger a trading halt.
6. Those that disagreed with the proposal thought that the release of price sensitive information, or PSI, during trading hours might increase price fluctuation, disturb market operation and lead to disorderly trading.

Proposal for the Exchange to release all announcements on the HKEx website in the immediate half-hour after receipt, with announcements to be released in batches every half an hour

7. When this proposal was made announcements were manually uploaded onto the HKEx website by Exchange staff. Consequently, a batched release of announcements every half hour was the most effective means of publication.
8. In June 2007 the Electronic Disclosure Project (EDP) was implemented. Issuers are now required to submit their announcements electronically for publication on the HKEx website, without intervention by the Exchange. If an issuer submits an announcement outside of trading hours the announcement is published to the HKEx website immediately. If necessary, an announcement can be released by HKEx’s systems upon receipt during trading hours. Consequently, the proposal above to release announcements in batches every half an hour is no longer applicable.

Proposal that trading halts would not be necessary for “standard” announcements issued in response to unusual movements in share price and/or turnover

9. Eighty-five per cent of respondents agreed with this proposal.
10. Following the launch of EDP, issuers are now allowed to publish “standard” and “super” announcements during trading hours without a trading halt. “Qualified” announcements can be published after 4.15 pm¹.

Proposal for the length of trading halts

Results announcements

11. Forty-four per cent of respondents favoured a 60 minute trading halt following company results announcements.
12. The views submitted by other respondents were diverse and ranged from 28 per cent of respondents who believed no trading halt was necessary for results announcements to a small minority who believed a 120 minute trading halt for results announcements was necessary.
13. Currently, preliminary results announcements can be published between 12:30 pm and 1:30 pm during the 12:30 pm to 2:30 pm lunchtime break in trading. If an issuer publishes its preliminary results announcements at this time or in the publication window between 6:00 am and 9:00 am prior to trading and has satisfied all other publication requirements, the issuer’s securities will not be subject to a suspension.

Non “standard” announcements requiring pre-vetting by the Exchange

14. Thirty-five per cent of respondents believed that a trading halt of at least 60 minutes was necessary for non “standard”¹ announcements that require pre-vetting by the Exchange.
15. The next highest percentage of respondents, 26 per cent, believed that a trading halt was not necessary for these types of announcements.
16. Twelve per cent of respondents believed that a trading halt of at least 90 minutes was necessary.

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¹ The definition of these terms can be found in the Annex to this paper.

1. “Standard” announcements are:

- (a) announcements made at the request of the Exchange pursuant to Listing Rules MB 13.10 / GEM 17.11 in response to unusual movements in price or trading volume, announcements where the issuer states that it is not aware of any matter that might have relevance to such movement. The wording of these announcements should follow Note 2 to Listing Rules MB 13.10 / GEM 17.11; and
- (b) announcements made in response to media news and reports, announcements made to deny media news or reports, i.e. straight denial.

For example, an issuer issues a denial in response to news articles simply stating that the rumour is untrue and has no substance. There would be no other information in the announcement.

2. “Super” announcements are announcements which are similar to the standard announcements except for modifications made:

- (a) announcements made at the request of the Exchange pursuant to Listing Rules MB 13.10 / GEM 17.11 in response to unusual movements in price or trading volume, where the issuer refers to its previously published information; and
- (b) announcements made in response to media news and reports, where the issuer clarifies that only its previously published information should be relied on.

For example, an issuer issues a denial in response to certain news articles on a transaction or material business development. The issuer denies the content of the articles and states that there is no material development and refers to previously published information such as a circular or announcement of the issuer. There may be a statement that “save for that disclosed in the last announcement, there are no negotiations or agreements discloseable under the Listing Rules.”

3. “Qualified” announcements are:

- (a) announcements made at the request of the Exchange pursuant to Listing Rules MB 13.10 / GEM 17.11 in response to unusual movements in price or trading volume, disclosing information under the issuer’s general disclosure obligation to which such movements are or may be attributable. These announcements may also, in certain circumstances, be issued pursuant to both Listing Rules MB 13.10 / GEM 17.11 and Listing Rules MB 13.09(1)(b) / GEM 17.10(2) where they contain price-sensitive information; and
- (b) announcements made in response to media news and reports, where the information underlying the media news or report is previously undisclosed price-sensitive information, indicating that the media news or reports is largely accurate and requiring disclosure under Listing Rules MB 13.09(1)(b) / GEM 17.10(2).