



THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES
香港特許秘書公會

13 January 2006

The Listing Division
The Stock Exchange of Hong Kong Limited
Hong Kong Exchanges and Clearing Limited
11th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong
Attn: Ms Anne Chapman

Dear Sirs,

Re: Exposure Paper on Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters ("Exposure Paper")

We refer to the Exposure Paper published in November 2005.

In February 2004, we made a submission regarding the abolition of paid announcements ("First Submission") in which we urged the Exchange to remove the paid announcement requirement as a matter of urgency for several compelling reasons. We are therefore pleased to see that the Exchange has moved forward with the implementation of the abolition of paid announcements by publishing the Exposure Paper.

As we have pointed out in the First Submission, the requirement of paid announcements is not in line with international practice. Actually, there is no such requirement in most of the major markets such as the U.S, the U.K, Singapore and Australia. This requirement has also caused unnecessary workload, substantial costs and is of limited communication value. Most importantly, since May 2001, a viable alternative i.e e-Submission System has come into existence.

In the Exposure Paper, it is proposed that there should be a two-phased implementation. During Phase 1 i.e. the transitional phase which will last for approximately 9 months, the issuers have to publish a short-form announcement in the newspapers, either by way of summary announcement or notification. Upon implementation of Phase 2, the issuers will no longer be required to publish paid announcements in the newspapers although they still have the option of doing so if they so wish in addition to publication of the same on the Exchange's website.



In order to better reflect the views of the industry in our submission, we have conducted a survey on the company secretaries of the top 100 main board listed companies (ranked by market capitalization). The following questions have been posed in the questionnaires:-

1. Do you think that the paid announcement requirement should be abolished?
2. If so, do you think that the abolition of the paid announcement should be implemented immediately?
3. If no, which form of the interim measures i.e summary announcement or notification, do you prefer?
4. What do you think is an appropriate duration for the interim measure?

As some serve as company secretary for more than one of those 100 issuers, 92 questionnaires were sent. Out of the 49 recipients who have responded to our questionnaires ("Respondents"), 2 (representing about 4.1% of the Respondents) oppose the abolition of paid announcement requirement, 30 (representing about 61.2% of the Respondents) are in support of immediate abolition i.e without a transitional phase and the remaining 17 (representing about 34.7% of the Respondents) support the idea of interim measure. Of those who support an interim measure, 11 prefer notification and the remaining 6 opt for summary announcement. And the interim period proposed by the said 17 Respondents ranges from 3 months to 2 years.

Taking into account the results of the survey and the points raised in the First Submission, we propose that the abolition of paid announcements should be implemented as soon as possible without a transitional phase. In fact, the Exchange has started the consultation exercise back in April 2000 and the market as well as the issuers should have had enough time to prepare themselves for the abolition. We therefore propose that the abolition should be implemented when (i) all the necessary infrastructure of the Exchange, such as the enhancement of the Exchange's e-Submission System, is in place; and (ii) the amendments to the Listing Rules have been finalized. As it is likely to take at least 6 months for the aforesaid conditions to be fulfilled, the market thus has a further period to prepare themselves for the change, if they are not yet ready. For those issuers which are not yet ready for the abolition upon the implementation of the abolition, they may continue to publish the full announcements on the newspapers.

As indicated above, we consider that no interim period is necessary. However, we would still express our views in respect of the two principle-based questions posed in the Exposure Paper which shall be relevant if there has to be an interim period for whatever reasons.



1. *Do you consider that the short-form announcement which, as an interim measure, Main Board issuers will be required to publish in the newspapers, should be a summary announcement or a notification?*

Basically, we take the view that an interim measure is not necessary. In fact, a majority (61.2%) of the Respondents to our survey are in support of the immediate abolition i.e without a transitional phase. However, if there has to be one, we believe that the interim measure should take the form of notification.

As highlighted in the Exposure Paper, it is difficult to prepare summary announcements and it is particularly so for certain kinds of announcements. According to the proposed Rule 2.17A (4), the summary announcement must not be misleading or inaccurate and when read on its own, must be consistent with the full announcement or notice. It should, as a minimum, represent the director's assessment and convey in non-technical language sufficient information to enable investors to understand the essential characteristics and nature of the matter involved and must not omit key information.

The aforesaid requirements are in a way rather subjective. Further, the summary announcement to be made in accordance with Rule 2.17A (4) will be subject to the statutory backing of the Listing Rules under the Securities Futures (Stock Market) Rules once it takes effect. The risk of preparing an inaccurate summary announcement will probably be too high that the issuers may choose to continue with the practice of publishing full announcements during the interim period. And for the investors, they may place full reliance on the summary announcements. Consequentially, contrary to the original intent, the interim measure will hinder rather than facilitate the transition from full announcement to the abolition thereof.

In view of the aforesaid reasons, we take the view that the interim measure, if any, should take the form of notification. In our survey, a majority of those who support interim measure (11 out of 17 representing about 64.7% of all those in support of an interim period) prefer notification to summary announcement. While some believe that notification has the disadvantage of not giving sufficient information to the investing public and may be too abrupt a measure for the investing public to accept, we, however, believe that it will encourage the public to view the full announcement via the website and get themselves prepared for the total abolition as early as possible.



Further, we suggest that notifications from different issuers should be grouped under one banner in the newspaper, each setting out the name of the issuer, the website and the subject matter of the announcement. This format can cut costs and help the investors identify the announcements relevant to them.

2. *Do you support the proposed implementation time-table? If not, please specify your points of disagreement and recommend an alternative implementation time-table?*

As mentioned above, we do not support a transitional phase. However, if it is decided to have one, it should not last for more than 6 months. The suggested period of the Respondents to our survey ranges from 3 months to 2 years. We believe that 6 months will be sufficient for the public to adapt to the new system, taking into account that the abolition was suggested more than 5 years ago.

Yours faithfully,


Richard Leung
President