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13 January 2006

Our Ref: AHC/BC

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Attn.: Ms. Anne Chapman

By Fax (2179 5982) By Hand

Dear Sirs / Madams,

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

We refer to the Exposure Paper published by Hong Kong Exchanges and Clearing Limited (the "Exchange") in November 2005. As a legal adviser to a number of companies listed on The Stock Exchange of Hong Kong Limited, we would like to set out our views, mainly on the issues which were exposed for market views, for your consideration.

- (a) We do not have comments on the envisaged Listing Rule amendments.
- (b) As an interim measure, we are of the view that short-form announcement should be in the form of a notification rather than a summary announcement for the following reasons:
 - i. We are of the view that a summary announcement will have the risk of being incomplete or misleading. We further believe that in practice, in order to avoid the legal risks associated with an incomplete or misleading summary announcement, listed issuers will most likely publish the full announcement

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instead of a summary announcement. This will defeat the purpose of the interim measure if summary announcements are introduced. On the other hand, a notification in a simple pro forma format will minimise the risk of being incomplete or misleading.

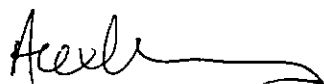
- ii. We also agree that some announcements are not easy to summarise, in which case the full announcements may need to be published. This will also defeat the purpose of the interim measure if summary announcements are introduced. Accordingly, this is supportive of the short-form announcement in the form of a notification.
 - iii. We consider that summary announcements may not have the desired effect of facilitating a change in the habits of investors, as investors may place total reliance on summary announcements only. However, since a notification itself may contain no meaningful information, it encourages investors to refer to the full announcement.
 - iv. Preparing a full announcement and a summary announcement will significantly increase the legal and compliance costs and workload of the listed issuers as two separate announcements with different criteria will have to be prepared each time. On the contrary, a notification which is short and in a simple pro forma format will minimise both the legal and publishing costs. We would also query whether the Exchange has the resources to review a summary announcement and a full announcement on each occasion.
 - v. Listed issuers and their advisers will face a tight timetable under the arrangements proposed under the Exposure Paper. Even if the Exchange is able to clear an announcement by 7p.m., there would be a significant amount of work to complete before the proposed 11p.m. deadline for submission of electronic copies to the Exchange for publication of the full announcement on its website. In addition, listed issuers and their advisers also need to prepare or to revise the summary announcement in line with the final version of the full announcement, the Chinese translations thereof and to rush for the deadline for publishing the summary announcement in the newspapers. On the other hand, a notification in a simple pro forma format can be prepared in advance and will be much simpler to administer.
- (c) We consider that the appropriate duration of the interim measure shall be six months. However, we do query the need for a two-phase implementation if sufficient time is allowed before the relevant changes become effective.
- (d) If the Exchange proposes to strictly enforce the "5-7-11" model for announcements (as referred to in paragraphs 48 to 55 of the Exposure Paper), it is essential that the Exchange has sufficient resources to perform its obligations to clear an announcement by 7p.m. if the final version of the announcement in a clearable form or a form which requires only minimal comments is submitted by 5p.m. We have found in practice that due to the extremely high workload of

individual teams at the Listing Division, it may be difficult for the Listing Division to adhere to the 7p.m. clearance deadline which might therefore result in a trading suspension for a listed issuer which is no fault of their own. This is a significant concern of our clients and would have a detrimental effect on Hong Kong's standing as a global financial centre.

- (e) We also have concerns on the mandatory use of HKEx-EPS for submission of electronic copies of all documents for publication on the Exchange's website and GEM websites. As mentioned in paragraph 35 of the Exposure Paper, current usage of HKEx-EPS for submitting announcements for publication is not high because, according to most of the listed issuers responding to the Exchange's enquiries, the current system of CD-ROMs, diskettes and faxes is very convenient. We have found in practice that not only the use of CD-ROMs, diskettes and faxes is more convenient, the instability and the complexity of the Exchange's Electronic Submission System are also reasons why listed issuers and their advisers are reluctant to submit announcements for publication electronically. We believe that prior to HKEx-EPS becoming the sole recognised means of submitting announcements for publication, it is essential that the Exchange has conducted a careful and thorough review of the existing Electronic Submission System to ensure that the new HKEx-EPS is reliable, secure, robust and user-friendly for use by listed issuers and their advisers and that the Exchange has the resources to implement sufficient recovery measures in the event of a system failure.

Please feel free to contact Alex Cheung, Partner, Corporate Finance at 2978 2788 to discuss any of the comments contained in this letter.

Yours sincerely,



Vincent T.K. Cheung, Yap & Co.