

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

**Attention: Ms Anne Chapman/Mr Gerald Tsui**

13 January 2006

Your Ref 貴司文號 LP20051118-045

Our Ref 我所文號 KMTM/COMW

Dear Sirs,

**Exposure Paper on the Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters**

We refer to the above Exposure Paper and set out our principal comments below.

**1. Duration of the interim measures**

We note the Stock Exchange's intention to implement the proposed changes by way of a two-staged approach with Phase II implementation commencing nine months after Phase I. We also understand the rationale behind the proposal for such approach. However, based on the following reasons, we take the view that a two-staged approach is not necessary if sufficient measures (see paragraphs (i) to (iv) below) are introduced upon the removal of the requirement for issuers to publish announcements as paid advertisements in newspapers:

- (a) The HKEx website has been regarded and used as a principal channel of information dissemination in recent years, especially after the launch of the Growth Enterprise Market (the "GEM"). Market practitioners are now accustomed to obtaining information on listed companies and listed securities on the HKEx website and websites of listed companies.

**SOLICITORS**

**Resident Partners**

Simon James Davies, Stephen Fletcher, Patrick Fontaine, James Gardner, Marc Harvey, Keith Johnson, Dean Lockhart, K.M. Teresa Ma, Andrew Malcolm, Zili Shao, Melvin Sng, Jeremy Webb, Betty Yap

**Non-resident Partners**

Paul Kruger, Celia C.L. Lam

**Consultants**

Vanessa K.L. Poon, Michael Tam, David Yun

**REGISTERED FOREIGN LAWYERS**

Trevor Clark (*Partner, Linklaters London, Resident in Hong Kong*)  
Christopher Kelly (*Partner, Linklaters London, Resident in Hong Kong*)  
Sanghoon Lee (*Partner, Linklaters New York, Resident in Hong Kong*)  
John Maxwell (*Partner, Linklaters London, Resident in Hong Kong*)  
Stuart Salt (*Partner, Linklaters London, Resident in Hong Kong*)  
Patrick J. Sheil (*Partner, Linklaters New York, Resident in Hong Kong*)

Please refer to [www.linklaters.com/regulation](http://www.linklaters.com/regulation) for important information on the regulatory position of the firm.

A05849009/0.3/16 Jan 2006

## Linklaters

- (b) Internet access is now easily available. Use of computer and the Internet at home and at work has become much more common and less costly. The younger generation of investors and the more well-informed and sophisticated retail investors should not find it difficult or cumbersome to view or download listed companies announcements on the HKEx website or websites of listed companies.
- (c) Publication of announcements in newspapers is not the most effective way to disseminate listed company information as not all the announcements of listed companies are set out in the same newspaper. The HKEx website, however, centralises all company announcements and circulars in one place and has made it much more convenient for investors and market practitioners to conduct searches and research.
- (d) Although investors can read listed companies announcements in newspapers at present, we believe that due to the length of most announcements, the complexity of corporate transactions and the use of technical language in announcements, most retail investors have relied on the media (e.g. newspaper articles, radio and television broadcasts) and brokers' advice, recommendations or explanations to understand corporate transactions, developments and fund-raising activities. For these investors, whether the announcements are only available on the HKEx website or also in newspapers, for nine months or for any longer or shorter period, will not make huge practical difference.
- (e) Since the launch of the GEM, the media has taken a more active role in reporting and analysing corporate transactions and fund-raising activities. In light of the GEM experience, it does not appear that reliance on the HKEx website as the principal channel of information dissemination would result in a less informed marketplace.

Based on the above, it does not seem that the cost and burden that listed issuers have to bear as a result of complying with the requirements proposed for Phase I implementation would be justified. From listed companies' perspective, the compliance costs and burden include:

- the cost of the paid advertisement on a short-form announcement;
- the cost of translating a short-form announcement;
- the burden of arranging a short-form announcement to be published; and
- the cost and burden of drafting short-form announcements and ensuring that all the necessary headlines categories are included in each announcement.

Further, the Stock Exchange may also wish to note that under the current proposals, listed companies have to go through changes in the Listing Rules and the system regarding the publication of announcements twice within the short period of nine months, creating the burden on companies and market practitioners to understand and get used to two rounds of changes.

It seems to us that if sufficient measures and safeguards could be put in place upon the effective date of the removal of the paid advertisement requirement, it may not be necessary for the market to go through the changes proposed for Phase I implementation and may proceed directly to the dispensation of such requirement on the appointed effective date. Implementation of the change could be subject to the following measures and safeguards having been put in place:

- (i) All necessary enhancement on the HKEx's website and e-submission system having been completed;

- (ii) A requirement for Main Board listed companies to publish an entry in one English and one Chinese language newspapers generally circulated in Hong Kong whenever a company publishes an announcement on the HKEx website pursuant to the requirements of the Listing Rules. The entry should be brief and should serve as a notification to the public of the publication of announcements on the HKEx website and the listed company's website. The entry only needs to set out the nature of the announcement (e.g. announcement on a proposed rights issue or notifiable transaction announcement on the entering into of a discloseable transaction) and such other information as the company considers it necessary to enable readers to get an idea of what the announcement relates to, so that if any reader wishes to obtain more information regarding the announcement, they can view the announcement on the relevant website. The entry could be published under a specific section of a newspaper together with other entries published by other listed companies subject to the payment of a fee. The publication of an entry should attract less compliance cost and burden on listed companies but would provide sufficient notice to the market and the media on an ongoing basis that announcements have been posted on the relevant websites. The requirement to publish an entry in newspapers could be removed when the Stock Exchange considers that the market no longer needs notifications on the publication of announcements on the websites.
- (iii) A requirement for Main Board listed companies to keep a file in a specified place containing the hard copies of all announcements published in the past six months for public inspection. Companies should be allowed to charge a reasonable fee if a copy of an announcement is required by the public. The requirement to make available hard copy announcements for public inspection could also be removed when the Stock Exchange considers that the market no longer requires access to physical announcements.
- (iv) The Stock Exchange should give advance notice of the removal of the paid announcement requirement well ahead of the effective date so that all market participants can be prepared for the transition.

### **2. Short-form announcement**

We believe that the short-form announcement should only serve as a notification to the public of the publication of announcements on the HKEx website and company websites. We do not agree that the short-form announcement should be in the form of a summary announcement because providing a summary of an announcement could easily be misleading and would involve the use of additional resources by listed companies.

### **3. Proposed amendments to the Listing Rules**

Our principal comments on the proposed amendments are set out in paragraph 1(ii) and (iii) above.

Further, we believe that some of the proposed headline categories are too wide and unspecific. Categories such as "agreement", "contract" and "alliance" would apply to a large number of announcements, making the required headlines to be included in an announcement unnecessarily lengthy (c/o paragraph (i) in page 7 of the Exposure Paper); and the e-submission process unnecessarily time-consuming (c/o paragraph 43 in page 10 of the Exposure Paper). If headline categorisation is required mainly for the purpose of facilitating searches on the HKEx website, we do not think that it is necessary for the announcement, in particular, the short-form announcement, to contain all the headline categories. This should only be required for the e-submission of the full version announcement. Generally, we think that an attempt should be made to reduce the number of headline categories and make the headlines more specific. We enclose on a confidential basis extracts of a table we prepared in-house based on the

## Linklaters

transactions published on the HKEx website in November 2005 which have been classified into 27 categories for your reference/consideration.

As it is proposed in the Exposure Paper that announcements can only be submitted to the Stock Exchange for publication on the HKEx website via the e-submission system, there is a possibility of market confusion in case of a break-down of the HKEx system. It seems prudent to include in the Listing Rules provisions allowing hard copy submission in the case of system breakdown on the part of the Stock Exchange or the issuer.

If you have any queries regarding the above comments, please contact Christine Wong at Linklaters.

Yours faithfully,



Linklaters

Encl