

**CONSULTATION PAPER**

**ON**

**PROPOSED CHANGES TO PRACTICES**

**ON**

**DISSEMINATION OF LISTED ISSUERS' ANNOUNCEMENTS**

**March 2002**



**Hong Kong Exchanges and Clearing Limited**

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## EXECUTIVE SUMMARY

We are inviting your comments on some proposed changes to our current practices on dissemination of listed issuers' announcements. Such changes are necessary to facilitate more timely disclosure of listed issuers' information through the HKEx website and the GEM website.

A summary of our proposals is as follows:

1. To allow listed issuers' announcements to be released on the HKEx website and the GEM website (as the case may be) during HKEx's trading hours but subject to appropriate lengths of trading halts, which will depend upon the nature of the announcements, for the purposes of digestion of contents of announcements by the public.
2. To release all Main Board and GEM announcements on the HKEx website and the GEM website (as the case may be) at the immediate half-hour after receipt of the same from the issuers, and that they be released by batch every half-hour and on the half-hour. Any trading resumption will only take place on the half-hour.
3. Trading halts are *not* necessary for:
  - i. Standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements; and
  - ii. Public announcements (other than results announcements) not requiring vetting by the Exchange before their release.
4. A trading halt of at least 60 minutes for all company results announcements.
5. A trading halt of at least 120 minutes for all announcements (other than standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements) which require vetting by the Exchange before their release.

Please complete and submit the consultation questionnaire as set out on pages 9 to 18 of this paper to:

Listing Division  
Hong Kong Exchanges and Clearing Limited  
11th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong  
Fax: (852) 2868 5028

Or alternatively you can complete and submit the electronic questionnaire available at the website of Hong Kong Exchanges and Clearing Limited: [www.hkex.com.hk](http://www.hkex.com.hk)

The consultation period will close on 2 April 2002.

## **PURPOSE**

- 1 The Exchange invites your comments on some proposed changes to our current practices on dissemination of listed issuers' announcements. Such changes are necessary to facilitate more timely disclosure of listed issuers' information through the HKEx website and the GEM website.

## **OUR CURRENT CLASSIFICATIONS OF LISTED ISSUERS' ANNOUNCEMENTS AND DIFFERING DISSEMINATION PRACTICES**

### *Main Board*

- 2 Public announcements by Main Board issuers can be broadly classified into four categories in accordance with their different nature and hence their different modes of dissemination:

- i. First category–

Standard paragraph 39.2 announcements. These announcements are mainly made in response to unusual movements in share price and/or turnover, their contents are standard and easy to apprehend. Therefore, they are currently released on the teletext during trading hours and are published on the HKEx website soon after. No publications in the newspapers are required.

- ii. Second category–

Company results announcements. As results are very “price sensitive” and urgent by nature, they are currently released on the teletext after trading hours (or during lunchtime). The full versions of the results announcements are required to be published in the newspapers and the HKEx website the next day.

- iii. Third category–

Public announcements which are currently released via publication in the newspapers and the HKEx website and which do not require vetting by the Exchange before their release. Examples of these announcements include notices of general meetings and change of company directors.

- iv. Fourth category–

Public announcements which are currently released via publication in the newspapers and the HKEx website and which require vetting by the Exchange before their release. The great majority of listed issuers' public announcements belongs to this category.

## ***GEM***

3 Public announcements by GEM issuers can be similarly classified into four categories in accordance with their different nature and hence their different modes of dissemination:

i. First category–

Standard Rule 17.11 Note 2 announcements. These announcements are mainly made in response to unusual movements in share price and/or turnover, their contents are standard and easy to apprehend. Therefore, they are currently released on the teletext during trading hours and are published on the GEM website soon after. No publications in the newspapers are required.

ii. Second category–

Company results announcements. As results are very “price sensitive” and urgent by nature, they are currently released on the teletext and the GEM website after trading hours (or during lunchtime).

iii. Third category–

All announcements which are currently as a general rule released via publication on the GEM website prior to commencement of trading and which do not require vetting by the Exchange before their release. Examples of these announcements include notices of general meetings and change of company directors.

iv. Fourth category–

All announcements which are currently as a general rule released via publication on the GEM website prior to commencement of trading and which require vetting by the Exchange before their release. The great majority of listed issuers’ public announcements belongs to this category.

## ISSUES AND OUR PROPOSALS

### *Release of announcements during HKEx's trading hours subject to trading halts*

- 4 To maintain a fair and orderly market, our current practice is that all announcements requiring vetting by the Exchange (other than standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements) can only be released after the market closes in the afternoon session. Newspapers are the official channel through which all Main Board listed issuers' announcements are released.
- 5 Given today's technological advances, the status of Hong Kong as an international financial centre and the increasing globalisation of share trading activities, there is a clear need for listed issuers' announcements to be more timely disseminated. To facilitate more timely disclosure of listed issuers' information to the public, we propose to allow listed issuers' announcements to be released on the HKEx website and the GEM website during HKEx's trading hours but subject to appropriate lengths of trading halts, which will depend upon the nature of the announcements, for the purposes of digestion of contents of announcements by the public.
- 6 The implementation of our proposal of using appropriate lengths of trading halts for various types of announcements will strike a balance between the need to release listed issuers' announcements on a timely basis and yet the public need be given sufficient time to read and digest contents of public announcements to avoid the development of a false market in securities trading.

### *Proposal*

- 7 We propose to allow listed issuers' announcements to be released on the HKEx website and the GEM website (as the case may be) during HKEx's trading hours but subject to appropriate lengths of trading halts, which will depend upon the nature of the announcements, for the purposes of digestion of contents of announcements by the public.

### *Question 1:*

*Do you agree with our proposal that announcements are to be released by the Exchange during trading hours?*

### *Question 2:*

*Do you agree with our proposal that trading halts are necessary for the purposes of digestion of contents of announcements by the public?*

***The modes and patterns of release of announcements and trading resumptions during trading hours***

- 8 As listed issuers' announcements are received by HKEx throughout the day, it is possible for HKEx to release these announcements on the HKEx website and the GEM website as and when the same are received from the listed issuers. Such approach may, in the short term at least, create unnecessary confusion in the market and the public may need to click on the websites frequently to check on the most up-to-date listed issuers' announcements. For announcements to be released and trading resumptions to take place in an orderly manner, and to avoid unnecessary confusion in the market and to enable the public to be more aware of the timing of the release of any announcement and trading resumption, it is necessary to have clear guidelines as to when announcements are released, and the timing of any trading resumption.

***Proposal***

- 9 We propose to release all Main Board and GEM announcements on the HKEx website and the GEM website (as the case may be) at the immediate half-hour after receipt of the same from the issuers, and that they be released by batch every half-hour and on the half-hour. Any trading resumption should only take place on the half-hour. When market users become accustomed to the new mode of dissemination we may consider releasing announcements immediately upon receipt of the same, rather than waiting till the end of the next half-hour. Trading resumptions, however, will only take place on the half-hour for ease of administration and better market awareness of the actual time of trading resumption.

*Question 3:*

*Do you agree with our proposal that announcements should be released by HKEx by batch at the immediate half-hour after receipt of the same from the issuers?*

***Lengths of trading halts required***

- 10 Trading halts are for the purposes of digestion of contents of announcements by the public and their lengths should depend upon the nature and complexity of the relevant announcements. Any recommendation on the lengths of trading halts is a balancing act – to minimise the length of the trading halt but to ensure that sufficient time is given to the public to read and digest the contents of the announcement.

- 11 Standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements (the First Category announcements as outlined above in 2 and 3 respectively) are mainly made in response to unusual movements in share price and/or turnover and their contents are standard and easy to apprehend. Already these announcements are currently released during trading hours without trading halts.
- 12 Public announcements not requiring vetting by the Exchange before their release (the Third Category announcements as outlined above in 2 and 3 respectively) include notices of general meetings and change of company directors. Contents of these announcements are typically very simple. We consider that these announcements can be released for publication on the HKEx website or the GEM website (as the case may be) anytime during trading or non-trading hours without trading halts.
- 13 Short form results announcements are price sensitive and come in a short, predetermined tabular format. By contrast, long form results announcements contain detailed disclosures in relation to an issuer's results. As both forms of results announcements contain information which is price sensitive in nature, we consider that a trading halt of at least 60 minutes is necessary. Companies wishing to release their results during HKEx's trading hours may do so but will have their securities halted from trading for at least 60 minutes. This trading halt will commence at the time HKEx receives the results announcement. Share trading will resume 60 minutes after the results announcement is published on the HKEx website or the GEM website (as the case may be). No trading halts are necessary for results announcements released one hour before the market opens for the morning or afternoon session on any business day.
- 14 For announcements which require vetting by the Exchange before their release (the Fourth Category announcements as outlined above in 2 and 3 respectively), contents of these announcements can be quite complicated and may require more substantial time by the public for reading, digestion and impact evaluation. We hence consider that a trading halt of at least 120 minutes is necessary. Companies wishing to release these announcements during HKEx's trading hours may do so but will have their securities halted from trading until at least 120 minutes have lapsed from the time the relevant announcement is released on the HKEx website or the GEM website (as the case may be). This minimum trading halt will commence at the time HKEx receives the final (releasable) version of the announcement.

### ***Proposals***

- 15 We propose that trading halts are not necessary for:
  - i. Standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements (the First Category announcements as outlined above in 2 and 3 respectively); and

- ii. Public announcements not requiring vetting by the Exchange before their release (the Third Category announcements as outlined above in 2 and 3 respectively).

*Question 4:*

*Do you agree with our proposal that no trading halts are necessary for standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements?*

*Question 5:*

*Do you agree with our proposal that no trading halts are necessary for public announcements which do not require vetting by the Exchange?*

- 16 We propose a trading halt of at least 60 minutes for all company results announcements (the Second Category as outlined above in 2 and 3 respectively).

*Question 6:*

*How long do you believe a trading halt is necessary for the market to digest contents of a results announcement?*

- 17 We propose a trading halt of at least 120 minutes for all announcements which require vetting by the Exchange before their release (the Fourth Category announcements as outlined above in 2 and 3 respectively).

*Question 7:*

*How long do you believe a trading halt is necessary for the market to digest contents of announcements which require vetting by the Exchange?*

**CONSULTATION**

**ON**

**PROPOSED CHANGES TO PRACTICES**

**ON**

**DISSEMINATION OF LISTED ISSUERS' ANNOUNCEMENTS**

**QUESTIONNAIRE**

**March 2002**



## ***General***

The Exchange invites your comments on these proposals. Please complete and submit the following questionnaire to:

Listing Division  
Hong Kong Exchanges and Clearing Limited  
11th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong  
Fax: (852) 2868 5028

Or alternatively you can complete and submit the electronic questionnaire available at the website of Hong Kong Exchanges and Clearing Limited: [www.hkex.com.hk](http://www.hkex.com.hk)

We have designed the following questionnaire to facilitate your response to the matters of consultation set out in this Consultation Paper. This will help HKEx in analysing the result with more accuracy and ensure a better understanding of public opinions for the formulation of listing policy for HKEx. Please elaborate your views and comments in the space provided after each question. We will analyse responses and comments on our proposals based on the completed questionnaires.

The consultation period will close on 2 April 2002.

## ***Provision of Personal Data***

Whilst you are invited to complete and return the following questionnaire, you are not obliged to supply your personal data if you do not wish to do so. If you choose to voluntarily supply any personal data to us, you should note the Personal Data Privacy Policy Statement as follows:

### ***Personal Data Privacy Policy Statement***

1. Hong Kong Exchanges and Clearing Limited (“HKEx”) is firmly committed to preserving the privacy of respondents in relation to personal data supplied to HKEx on a voluntary basis. Personal data which may include their names, addresses, e-mail addresses, login names etc will not be disclosed by HKEx without your consent unless it is permitted or required by law.



2. Personal data of respondents collected by HKEx will be used for one or more of the following purposes:
  - for performing HKEx' functions and those of its subsidiaries under the relevant laws, rules and regulations
  - for research and statistical purposes
  - for any other lawful purposes

Personal data collected will not be used by HKEx for any other purpose unless authorised by you or such use is permitted or required by law.

3. HKEx has security measures in place to protect the loss, misuse and alteration of the personal data of respondents. Personal data will be retained for such period as may be necessary for the proper discharge of the functions of HKEx and those of its subsidiaries.
4. If you wish to request access to and/or correction of your personal data held by HKEx, you may do so in writing addressed to:

Personal Data Privacy Officer  
Hong Kong Exchanges and Clearing Limited  
11/F, One International Finance Centre,  
1 Harbour View Street, Central, Hong Kong  
[cvw@hkex.com.hk](mailto:cvw@hkex.com.hk)



You may supply the following personal data on a voluntary basis:

Your contact information

Name : \_\_\_\_\_

Company : \_\_\_\_\_

Telephone no. : \_\_\_\_\_

E-mail address : \_\_\_\_\_

The following demographic data will be used for compilation of statistics and analysis by HKEx of the result of this consultation exercise:

Please indicate the type of organization or section of the public you represent by ticking one of the following:

- Listed company – Main Board
- Listed company – GEM
- Professional association
- Market practitioner (accountant, legal adviser, financial adviser, sponsor etc.)
- Institutional investor
- Retail investor
- Other (please specify: \_\_\_\_\_ )



**Questionnaire**

*Question 1:*

*Do you agree with our proposal that announcements are to be released by the Exchange during trading hours?*

- Agree*
- Disagree (please tick one of the following)*
  - Announcements should only be released at the end of the trading day, and not during trading hours. Please state your reasons below.*

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- Other views*

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- Other general comments*

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*Question 2:*

*Do you agree with our proposal that trading halts are necessary for the purposes of digestion of contents of announcements by the public?*

*Agree*

*Disagree (please tick one of the following)*

*Trading halts are not necessary for the purposes of digestion of contents of announcements by the public. Please state your reasons below.*

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*Other views*

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*Other general comments*

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*Question 3:*

*Do you agree with our proposal that announcements should be released by HKEx by batch at the immediate half-hour after receipt of the same from the issuers?*

- Agree
- Disagree (please tick one of the following)
  - Announcements should be released by HKEx as soon as the same are received from the issuers.*
  - Other views*

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- Not applicable. We do not agree with your proposal set out in Question 1.*
- Other general comments*

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*Question 4:*

*Do you agree with our proposal that no trading halts are necessary for standard paragraph 39.2 (Main Board) and standard Rule 17.11 Note 2 (GEM) announcements?*

- Agree*
- Disagree (please tick one of the following)*
  - A trading halt of at least 30 minutes is necessary*
  - A trading halt of at least 60 minutes is necessary*
  - Other views*

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- Other general comments*

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*Question 5:*

*Do you agree with our proposal that no trading halts are necessary for public announcements which do not require vetting by the Exchange?*

- Agree*
- Disagree (please tick one of the following)*
  - A trading halt of at least 30 minutes is necessary*
  - A trading halt of at least 60 minutes is necessary*
  - Other views*

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- Other general comments*

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*Question 6:*

*How long do you believe a trading halt is necessary for the market to digest contents of a results announcement?*

- Nil, a trading halt is not necessary*
- at least 30 minutes*
- at least 60 minutes*
- at least 90 minutes*
- others: (please specify)*

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*Question 7:*

*How long do you believe a trading halt is necessary for the market to digest contents of announcements which require vetting by the Exchange?*

- Nil, a trading halt is not necessary*
- at least 30 minutes*
- at least 60 minutes*
- at least 90 minutes*
- others: (please specify)*

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