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[online version](http://www.charltonslaw.com/stock-exchange-publishes-conclusions-on-abolition-of-the-requirement-for-main-board-issuers-to-publish-paid-announcements-in-newspapers/)

# Stock Exchange Publishes Conclusions On Abolition Of The Requirement For Main Board Issuers To Publish Paid Announcements In Newspapers

The Stock Exchange of Hong Kong Limited (the **Exchange**) has published its conclusions on its proposed abolition of the requirement for Main Board issuers to publish paid announcements in the newspapers and other related matters as set out in its November 2005 exposure paper. The full texts of the Exposure Conclusion and Exposure Paper are available on the Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk/).

The purpose of this note is to summarise the new requirements.

## 1. Background

Main Board issuers are currently required to publish announcements by way of a paid announcement in at least one English-language and one Chinese-language gazetted newspaper. Since May 2001, they have also been required to submit electronic copies of announcements for parallel publication on the Exchange's website. Publication on the GEM website has however always been the only means of publication of announcements (in addition to publication on the issuer's own website) under the GEM Listing Rules.

In its exposure paper, the Exchange proposed abolishing the requirement for Main Board issuers to publish paid announcements in the newspapers following a transitional period which would prepare the market for the total abolition of paid announcements. The overwhelming majority of respondents to the Exchange's exposure paper supported the abolition.

## 2. Two-Phased Implementation

The abolition of the requirement for Main Board issuers to publish paid newspaper announcements will be introduced in two phases.

* In Phase 1 (the transition period), Main Board issuers will be required to publish a short-form announcement in the newspapers instead of the full announcement which will be published on the websites of both the issuer and the Exchange. The short-form announcement required will be a notification serving only to notify investors of the publication of the full announcement on the websites of the issuer and the Exchange rather than a summary of the contents of the full announcement, which was the alternative proposed in the Exposure Paper. Phase 1 will last 6 months.
* In Phase 2, Main Board issuers will no longer be required to publish announcements in the newspapers for the purpose of the Listing Rules.

## 3. Timetable For Implementation

The Exchange is undertaking a number of operational readiness initiatives. The Exchange will make a further announcement regarding the commencement date for Phase 1. It is currently intended that this will be at least 6 months after the publication of the Exposure Conclusion in July 2006.

## 4. Publication On Websites Of Both The Exchange And The Issuer

Main Board issuers will be required to publish full announcements on the Exchange's website as well as on their own websites. The requirement for Main Board issuers to publish on their own websites will cover all documents requiring publication on the Exchange's website i.e. not only announcements, but also circulars, annual and interim reports, listing documents etc. As is the case for GEM issuers, all announcements and other documents must remain on the issuer's website for at least 5 years.

### Requirement for issuers to have their own website

A new requirement set out in the Exposure Conclusion is that every issuer must have its own website one year after the commencement of Phase 1. For the purposes of this requirement, the issuer's website does not need to be hosted on a domain owned or directly operated by the issuer. The issuer's website may be hosted on a third-party domain so long as the website is assigned a dedicated location on the World-wide Web and the website may be maintained by third-party providers. Before the requirement for all issuers to have their own website becomes effective, a Main Board issuer who does not have its own website must publish its Listing Rule announcements in the newspapers as well as on the Exchange's website. When the requirement takes effect, a Main Board or GEM issuer that does not have its own website will be in breach of the Listing Rules.

A chart setting out the new requirements can be viewed by clicking [here](200608a.JPG).

### Headline Categories

When submitting a document through HKEx-EPS for publication on the Exchange's website, an issuer must select all appropriate headlines from the [list of headline categories](42974v1.doc) which will be set out in new Appendices 24 and 17 to the Main Board and GEM Listing Rules, respectively. The Exchange expects that issuers will continue their practice of giving announcements and other documents a title reflecting its contents. During the HKEx-EPS submission process, the title of the announcement or other document will have to be input into a designated free-text field.

## 5. Use Of HKEx-EPS

All documents (eg. announcements and circulars) that an issuer is obliged to publish for the purpose of Listing Rules will be required to be submitted electronically via the Internet using the HKEx Electronic Publication System (**HKEx-EPS**). Submission by CD-Rom, diskette or fax will no longer be accepted. HKEx-EPS is to be relaunched and users will be required to register or re-register, as the case may be. Electronic copies of documents submitted for publication on the Exchange's website must be in text-searchable format.

## 6. Deadlines For Publication On The Exchange's Website

The Listing Division's current timetable ("5-7-9" model) is as follows:

Time

Action

5.00 p.m.

Submission of the final version of the announcement to the Listing Division in a clearable form or a form which requires only minimal comments in order to be cleared.

7.00 p.m.

Clearance of the announcement by the Listing Division.

9.00 p.m.

Submission of an electronic copy of cleared announcement to ISD for publication on the Exchange's website or GEM website before the market opens the following business day.

### Main Board

While the 5:00 p.m. and 7:00 p.m. deadlines will be strictly enforced, the 9:00 p.m. deadline for submission of electronic copies of documents for publication on the Exchange's website will be extended to 11.00 p.m. for Main Board issuers on the implementation of Phase 1. Any later submissions to the Exchange will not be published on the Exchange's website before the market opens the following business day. The extension of this deadline is intended to give more time for issuers to prepare the English and Chinese versions.

Where the 11.00 p.m. deadline falls on a business day immediately preceding a non-business day, there will be a 2-hour window (between 6.00 p.m. and 8.00 p.m.) on the day immediately preceding the next business day for issuers to submit documents through HKEx-EPS for publication. This 2-hour window is intended to allow issuers to make use of weekends and statutory holidays to finalise documents.

### GEM

Notwithstanding the official 9.00 p.m. deadline under the "5-7-9" model as described above, GEM issuers already have a de facto grace period of until 9.30 a.m. the next business day to publish their announcements on the GEM website. Since, unlike Main Board issuers, GEM issuers will not have to publish short-form announcements in the newspapers, the new 11.00 p.m. deadline will not apply to GEM issuers. There will be no change to the current timetable for GEM issuers.

## 7. Deadlines For Publication On The Issuer's Own Website

The original proposal was that any announcements submitted to the Exchange should be published on the issuer's own website within one hour. The Exchange has however revised the deadline for publication on the issuer's own website to 9.00 a.m. the following business day in cases where the document was submitted for publication on the Exchange's website after 7.00 p.m. In all other cases, publication on the issuer's website must be within one hour of submission of the document to the Exchange.

## 8. Timing Of Submission Of Documents For Publication

Electronic copies of documents may not be submitted to the Exchange for publication between 9.00 a.m. and 4.15 p.m. on a business day. There are however certain exceptions to this rule including for:

* an announcement that trading in the issuer's securities has been suspended;
* an announcement under Rule 13.09(2) (or Rule 17.12 of the GEM Listing Rules) regarding information released to any other stock exchange on which the issuer's securities are listed;
* an announcement under Rule 13.10 (or Rule 17.11 of the GEM Listing Rules) in response to unusual share price movements or turnover; and
* full preliminary results announcements which may be submitted and published between 12.30 p.m. and 1.30 p.m. on a business day.

The Listing Rules require the publication of both English and Chinese language versions of documents. Issuers will be required to submit the English and Chinese language versions to the Exchange together. In the case of the listing documents of new applicants and listed issuers' annual reports, the English and Chinese language versions may be submitted one immediately after the other.

## 9. Publication Of Notifications In The Newspapers

As noted above, Main Board issuers will be required to publish a short-form announcement, in the form of a notification, during Phase 1. Notifications will no longer be required from the commencement of Phase 2. Amendments to the Main Board Listing Rules relating to the publication of notifications are set out at Appendix C to the Exposure Conclusion.

Publication of notifications in the newspapers will be required on the business day next following submission of the electronic copy of announcements or notices to the Exchange for publication on the Exchange's website. This will ensure that the full announcement or notice will be available on the Exchange's website by the time the notification is published in the newspapers. Notifications will not require clearance from the Exchange prior to publication.

Issuers may choose to publish the full announcement or notice in the newspapers instead of a notification in addition to publication on the websites of the Exchange and the issuer.

### Form of Notifications

The sample form of notification included in the Exposure Conclusion can be viewed by clicking [here](200608b.JPG).

The requirements for notifications are as follows:

* the minimum size is 8 cm by 10 cm, the same size as for notices of annual general meetings;
* it must state where on the internet the full announcement or notice can be found;
* a statement must be included that the notification merely serves to advise investors of the matter and of the publication of the announcement or notice on the websites of the Exchange and the issuer;
* it must include a warning statement to the effect that it does not contain information upon which an investment decision should be based and it should not be relied upon by investors for such purpose;
* it must state where the announcement or notice is available for inspection, that inspection is free of charge, the hours of inspection and the amount of any fee for providing copies;
* it must include, in a prominent position at the top of the notification, all appropriate headlines. Where there are multiple headlines, the issuer must display in the notification only those headlines which together best describe the subject matter of the announcement or notice. Issuers must however include all appropriate headlines (regardless of their number) in the full announcement or notice published on the websites of the Exchange and the issuer; and
* the same title as appears in the full announcement or notice must be set out in a prominent position at the top of the notification.

## 10. Full Announcements To Be Available For Inspection

In order to cater for investors with no internet access, a Main Board issuer that has published a notification in the newspapers, must make the full announcement or notice available for inspection during business hours at no charge at its principal place of business in Hong Kong (in the case of a listed issuer) or at certain prescribed locations (in the case of a listed issuer or new applicant). The inspection period must commence on the day on which the notification is published in the newspapers and must continue for at least one month or until such time as the relevant corporate communication is sent to shareholders or distributed to the public in the case of a new applicant, whichever is the later. The issuer may charge reasonable fees for providing copies of an announcement or notice to any person.

## 11. Registration By New Listing Applicants And Confirmation From Sponsors

New listing applicants also publish announcements on the Exchange's website and GEM website, such as formal notices and announcements of allotment results. New listing applicants will in the future be required to submit HKEx-EPS registration application forms to the Exchange at the time of submission of the advance booking form rather than prior to bulk printing of the prospectus. Passwords will then be issued to the listing applicant once the listing application has been approved in principle

A new requirement will be introduced in the case of Main Board and GEM issuers that a written confirmation must be issued by the sponsor before an announcement is submitted through HKEx-EPS for publication. The sponsor will have to confirm that the announcement has been cleared by the Exchange (where clearance is required under the Listing Rules) or that the document is required to be published by the new applicant (where clearance is not required). Issuers will no longer be required to issue this confirmation.

## 12. Suspension Announcements

Currently, a suspension of trading in the securities of an issuer is first notified to the public by means of a short notice prepared by the Exchange which is published on the HKEx website or GEM website.

In order to make the notification process more efficient, a provision will be included in the Listing Rules to the effect that, where an issuer requests a suspension of trading in its securities and the suspension has been effected, the issuer must immediately submit through HKEx-EPS to the Exchange for publication on the Exchange's website or GEM website a ready-to-publish electronic copy of an announcement informing that trading in the securities of an issuer has been suspended and setting out briefly the reason for the suspension. The announcement must also be published on the issuer's own website.

## 13. Board Meeting Notifications

Under the Listing Rules, issuers are required to give the Exchange seven days' advance notice of any board meeting at which the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year or other period is to be approved for publication. In the case of Main Board issuers, the Exchange currently compiles and publishes a list of such board meetings on the Exchange's website. GEM issuers are however required to publish an announcement on the matter on the GEM website.

The Exchange has decided to adopt the GEM dissemination procedure for the Main Board. Accordingly, upon implementation of Phase 1, Main Board issuers will also be required to publish announcements of such board meetings directly on the Exchange's website. It will be sufficient for the announcement to be published on the Exchange's website and the issuer's own website without a notification in the newspapers during Phase 1, since Main Board issuers are currently not required to publish such announcements in the newspapers.

## 14. Text File Notifications No Longer To Be Published On AMS/3 Trading Devices

Presently, pre-vetted announcements of Main Board issuers and summary versions of pre-vetted announcements of GEM issuers are released in text format on the Exchange's AMS/3 trading devices and the Exchange's Market Data Feed (**MDF**) service subscribed to by information vendors. These AMS/3 trading devices are used by Exchange participants on the trading floor as well as in their broker offices.

Prior to the implementation of Phase 1, the Exchange will introduce a new function whereby a news alert message will be sent to AMS/3 trading devices and MDF subscribers whenever an issuer announcement is published on the Exchange's website or GEM website. In order to avoid potential duplication, issuers will no longer be obliged to send any text files for publication on the AMS/3 trading devices and to MDF subscribers with effect from Phase 1.

## 15. Abolition Of Short-Form Preliminary Results Announcements

Currently, Main Board issuer's short-form preliminary results announcements are published on the Exchange's website and on AMS/3 terminals usually in advance of the publication of the corresponding full preliminary results announcements. The publication of short-form preliminary results announcements will be abolished upon the implementation of Phase 1 for both the Main Board and GEM. Accordingly, full preliminary results announcements only will be published on the Exchange's or GEM website and on the issuer's own website. During Phase 1, issuers will also need to publish in the newspapers a notification of the preliminary results announcement on the business day next following submission of the electronic copy of the preliminary results announcement to the exchange for publication.

This note contains a summary only of recent regulatory developments in Hong Kong. Specific advice should be sought in relation to any particular situation.

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