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# Abolition Of The Requirement For Main Board Issuers To Publish Paid Newspaper Announcements To Take Effect On 25 June 2007

## Introduction

From 25 June 2007, with the launch of Phase 1 of its new regime for electronic dissemination of regulatory information (the Electronic Disclosure Project, (**EDP**)), Hong Kong Exchanges and Clearing Limited (**HKEx**) will abolish the Main Board requirement for issuers to publish paid newspaper announcements.

The details of the new regime were set out in HKEx's Exposure Conclusion on "Abolition of Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" (the "Exposure Conclusion") published in July 2006. HKEx has now published a Communication Paper entitled "From Paper to Paperless – A Communication Paper on Straight-through Electronic Disclosure and Abolition of Paid Announcement Requirement (The Electronic Disclosure Project)" to inform issuers and other market users about the project. Copies of both documents are available on the HKEx website at [www.hkex.com.hk](http://www.hkex.com.hk/).

## The Current Regime

Main Board issuers are currently required under the Main Board Listing Rules to publish all announcements and notices (subject to certain exceptions) by way of paid announcement in at least one English-language and one Chinese-language newspaper. Since May 2001, they have also been required to submit soft copies of announcements to HKEx for parallel publication on the HKEx website. Since February 2002, main board listed issuers have also been required to submit soft copies of other Listing Rules-related corporate communications (such as circulars and annual reports) for publication on the HKEx website.

Publication on the Growth Enterprise Market (**GEM**) website has always been the only means of disclosure of issuer information (in addition to publication on issuers' own websites) under the GEM Listing Rules. At present, Main Board and GEM issuers can submit soft copies of Listing Rules disclosures to HKEx either electronically through HKEx's Electronic Submission System (**ESS**) or physically in the form of a diskette or CD-Rom. The vast majority of listed issuers' submissions are in the latter form. Some disclosures (including standard announcements relating to unusual price/volume movements) may be submitted by fax.

## The New Regime

The new web-based disclosure regime is intended to enable faster disclosures by listed issuers on the HKEx website. It will also provide for a central issuer document archive and allow local and overseas investors easier access to issuer information. HKEx also hopes that the regime will provide the foundation for further developments such as real time electronic disclosure during trading hours and the elimination of unnecessary suspensions, which currently arise pending publication of announcements in the newspapers.

The system is being launched in two phases over a period of twelve months.

## Phase 1: The Transition Period

### 1. Publication on Websites of HKEx and Issuer

During Phase 1 of the EDP, it will be mandatory for a Main Board listed issuer to publish announcements on the HKEx website as well as on its own website (if it has one). If the issuer publishes an announcement on its own website, the additional publication of a paid announcement in newspapers will be optional. As is currently the case for GEM issuers, any document published on an issuer's website pursuant to the Listing Rules must remain there for a minimum period of 5 years.

In the first twelve months after the commencement of Phase 1 (i.e. until 24 June 2008), a Main Board issuer without its own website will be required to continue to publish its Listing Rule announcements in the newspapers as well as on the HKEx website. From 25 June 2008, every Main Board and GEM listed issuer will be required to have its own website on which it must publish its Listing Rule documents. Failure to meet this requirement will amount to a breach of the Listing Rules. The issuer's website need not however be hosted on a domain owned or directly operated by the issuer: it may be hosted on a third-party domain provided that the website is assigned a dedicated location on the worldwide web and the website may be maintained by third party providers.

### 2. Publication of Notifications in the Newspapers

During the first six months after the commencement of Phase 1 (i.e. until 24 December 2007), Main Board issuers will be required to publish in the newspapers a short-form announcement notifying the public of the publication of an announcement on the HKEx website and the issuer's own website (where there is one). Newspaper notifications will no longer be required from 25 December 2007.

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

### 3. Form of Newspaper Notifications

The sample form of notification included in the Exposure Conclusion can be viewed by clicking [here](200704.pdf).

The requirements for notifications are as follows:

* The prescribed 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 HKEx 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;
* the notification must display those headlines (if more than one) which together best describe the subject matter of the full 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 HKEx and the issuer (see "Headline Categories" below); and
* the same title as appears in the full announcement or notice should be set out in a prominent position at the top of the notification.

### 4. Use of HKEx-ESS

On implementation of Phase 1, all documents that are required to be published on the HKEx website will be required to be submitted electronically via the Internet using the HKEx Electronic Submission System. Under normal circumstances, submission by CD-Rom, diskette or fax will no longer be accepted. Electronic copies of all documents submitted for publication on the HKEx's website must be text-searchable and printable.

### 5. Registration for ESS

All listed issuers (and any company acting on behalf of a listed issuer) will be required to register for access to ESS. The registration and use of ESS is free and also applies to non-listed companies that are required to publish announcements or other documents on the HKEx website under the Code on Takeovers and Mergers. A board resolution relating to ESS registration is required to (i) authorise the application for registration and accept the terms and conditions; and (ii) authorise a director or other person to apply and sign the requisite documents on behalf of the company/entity. The application form for ESS registration must be accompanied by a copy of the board resolution.

To increase the security for ESS submissions, two passwords will be required for every submission for publication on HKEx's website. One will be used by the person uploading the document, the other will be used by the person giving final approval for publication of the document. The passwords will be set out in pre-designated pairs and must be used in the pre-designated sequence. Passwords will be issued to registered users periodically. They will be sent by registered mail to the issuer's authorised representatives who will have to acknowledge receipt. Passwords will be issued only to issuers, although market practitioners may also register as users. Issuers may at their own risk share the submission related password with intermediaries involved in the preparation and/or formatting of the final proof of the document.

Issuers must designate "Authorised Persons" as the primary contact persons for receiving security passwords from the HKEx. Other officials that must be designated by issuers include an Administrator (to maintain a company's details on ESS), a Security Officer (to maintain user accounts on ESS), a "Submitter" (a "Publication Matter User" to upload documents onto ESS) and an "Approver" (also a "Publication Matter User" to approve publication for submissions uploaded by the Submitter).

### 6. Headline Categories

When submitting a document through HKEx-ESS for publication on the HKEx website, an issuer must select all appropriate headlines (regardless of number) from the list of headline categories which will be set out in new Appendices 24 and 17 to the Main Board and GEM Listing Rules, respectively.

HKEx also expects that issuers will continue their practice of giving announcements and other documents a title reflecting the underlying content of the document. During the HKEx-ESS submission process, the title of the announcement or other document will have to be input into a designated free-text field.

### 7. Deadlines for Publication on the HKEx 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 HKEx 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 HKEx's website will be extended to 11.00 p.m. for Main Board issuers on the implementation of Phase 1. Any later submissions to HKEx will not be published on its 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-ESS for publication. This 2-hour window is intended to allow issuers to make use of weekends and statutory holidays to finalise documents.

While issuers may submit documents the following morning if they failed to submit it by the 11.00 p.m. deadline of the previous business day (or, if applicable, the 2-hour window referred to in the previous paragraph), they risk having their securities suspended from trading for at least half a day as investors must be given time to assess the information. HKEx anticipates that the incidence of short duration suspensions may increase during Phase 1 of the EDP.

Where an announcement requires prior clearance from the Listing Division, the issuer must obtain such clearance before 7.00 p.m. on the business day before it submits the announcement to HKEx via HKEx-ESS for publication on its website. The 2-hour window referred to above is intended to allow issuers to make use of weekends and statutory holidays to finalise documents for publication. Clearance of the document by the Listing Division, where required, must be obtained by 7.00 p.m. on the last business day before the window.

#### 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.

### 8. Deadlines for Publication on Issuers' own Websites

The deadline for publication on the issuer's own website will be 9.00 a.m. on the following business day where the document is submitted for publication on HKEx's website after 7.00 p.m. the previous evening. In all other cases, publication on the issuer's website must be within one hour of submission of the document to HKEx.

### 9. Timing of Submission of Documents for Publication

Electronic copies of documents may not be submitted to the HKEx for publication between 9.00 a.m. and 4.15 p.m. There are two exceptions to this rule:

1. full preliminary results announcements, which may be submitted and published on HKEx's website between 12.30 p.m. and 1.30 p.m. on a trading day; and
2. the following announcements, which may be submitted and published at any time during operational hours:
   * overseas regulatory announcements
   * certain announcements clarifying unusual price or volume movements; and
   * announcements notifying the suspension of trading in an issuer's securities.

Where the Listing Rules require an issuer to publish a document in both English and Chinese, both language versions of the document must be submitted simultaneously. The English and Chinese language versions of new applicants' listing documents and listed issuers' annual reports may however be submitted one immediately after the other.

### 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 HKEx and GEM websites, such as formal notices and announcements of allotment results. New listing applicants will in future be required to submit HKEx-ESS registration application forms to HKEx 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-ESS for publication. The sponsor will have to confirm that the announcement has been cleared by the HKEx (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 HKEx which is published on its website or the 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-ESS for publication on the HKEx website or GEM website a ready-to-publish electronic copy of an announcement informing that trading in the securities of that issuer has been suspended and setting out briefly the reason for the suspension. On receipt of the electronic copy, HKEx will publish the announcement on its website provided that the suspension has been effected. The announcement must also be published on the issuer's own website (if there is one).

### 13. Board Meeting Notifications

Under the Listing Rules, issuers are required to give HKEx 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, HKEx currently compiles and publishes a list of such board meetings on its website. GEM issuers are however required to publish an announcement on the matter on the GEM website.

HKEx 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 HKEx website. It will be sufficient for the announcement to be published on the HKEx 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

Upon implementation of Phase 1, issuers will no longer be required to send to HKEx any text files (as is currently the case, of pre-vetted announcements of Main Board issuers and summary versions of pre-vetted announcements of GEM issuers), for publication on HKEx's AMS/3 trading devices or for dissemination to HKEx's Market Data Feed (MDF) service subscribed to by information vendors. When Phase 1 comes into force, HKEx will introduce a new issuer news alert function on AMS/3.

### 15. Abolition of Short-form Preliminary Results Announcements

Currently, Main Board issuer's short-form preliminary results announcements are published on the HKEx 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 HKEx 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 following submission of the electronic copy of the preliminary results announcement to HKEx for publication.

## Phase 2: The Way Forward

From **25 December 2007**, Main Board issuers will no longer be required to publish notifications in newspapers that an announcement has been published on the website of HKEx and the issuer (if it has one).

From **25 June 2008**:

* every issuer must have its own website;
* the issuer must publish its Listing Rules documents on its website and the public must be able to access documents free of charge;
* issuers must publish information on their own websites within one hour of submission of the same for publication on the HKEx website;
* if a document is submitted to the HKEx after 7.00 p.m., the same must be published before 9.00 a.m. the following morning on the issuer's website;
* every document published on the website must be available for at least a period of five years; and
* Main Board issuers will follow the current practice of GEM issuers for publishing announcements of board meetings directly on the HKEx website.

## Market Readiness Programmes

HKEx has published the Communication Paper on its website which sets out the changes faced by various stakeholders following implementation of the EDP. The HKEx website has also been updated to provide a range of materials including Frequently Asked Questions on the operational aspects of the ESS and an updated version of the ESS User Manual.

HKEx is also taking a number of steps to increase investor awareness of the new information dissemination regime and to familiarise issuers with the new regime. The initiatives to assist listed issuers include: organising seminars for issuers and their agents; the distribution of an ESS e-learning CD; the provision of help desk support; the arrangement of briefing sessions; and the organisation of familiarisation sessions to give issuers and their agents hands-on experience with the new system.

This note is intended as a summary only of the new regime for electronic dissemination of regulatory information detailed in HKEx's "Exposure Conclusion Abolition Requirement for Main Board Issuers to Publish Paid Announcements in Newspapers and Related Matters" and its "Communication Paper on Straight-through Electronic Disclosure and Abolition of Paid Announcement Requirement", the full texts of which can be viewed on the HKEx website at [www.hkex.com.hk](http://www.hkex.com.hk/).

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