



HKEX
香港交易所

The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

11 January 2008

Our Ref.: RW20080111-003

SFC (Electronic Submission of DI Notices)
8/F Charter House
8 Connaught Road
Central, Hong Kong

Attn: Supervision of Markets Division

Dear Sirs,

Submission in relation to the Consultation Paper on the Proposal to Mandate Electronic Submission of Disclosure of Interests Notices

We have pleasure in submitting a response on behalf of the executive staff of the Stock Exchange of Hong Kong Limited ("SEHK" or the "Exchange") to the consultation paper published by the Securities and Futures Commission (the "SFC") in November 2007 on the proposal to mandate electronic submission of Disclosure of Interests notices.

We welcome the SFC consultation paper and strongly support the proposal to mandate electronic filing. Mandatory electronic filing will enable straight-through electronic publication, thus significantly improving the timeliness of publication of potentially market sensitive information. We also agree that electronic filing and dissemination would improve efficiency of the market as a whole and contribute to environmental friendliness.

The current arrangement which frequently involves SEHK staff extracting data and retyping the notices submitted in hard copy and proof-reading the retyped forms is labour intensive, inefficient and a time consuming process. It also introduces what we believe to be an unnecessary risk of errors arising from the transcription of illegible hard copies and the possibility of abuse of the current arrangement with incomplete and illegible form filling.

In addition, the current arrangement provides an entirely legitimate means of delaying disclosure through filers choosing to file by mail. The extent of delay can be significant if the filer is located overseas in a jurisdiction with an erratic or particularly slow mail service to Hong Kong.

Taken together there is, in our view, an unnecessary element of delay to the disclosure of interests.

.../2

香港交易及結算所有限公司
Hong Kong Exchanges and Clearing Limited

香港中環港景街一號國際金融中心一期12樓
12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

電話 Tel: +852 2522 1122 傳真 Fax: +852 2295 3106 網址 Website: www.hkex.com.hk 電郵 E-mail: info@hkex.com.hk

The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

- 2 -

Our comments on the specific views sought are set out below. We have adopted the definitions used in the consultation materials.

(a) Mandate electronic submission of DI notices to SEHK and SEHK will in turn provide electronic copies of the notices to the listed corporations

To avoid duplication of effort, we support the proposal that DI notices will only be required to be filed with one party.

The SFC is responsible for the administration and enforcement of the DI regime, and the design of filing and publication arrangements for DI notices. At present SEHK administers the filing and publication of DI notices through HKEx website in accordance with SFC requirements and specifications. In our experience, there is often media and public misunderstanding of SEHK's role under the Disclosure of Interest regime. Contrary to beliefs held in some quarters, SEHK does not interpret or administer or enforce the statutory DI provisions, nor does SEHK give guidance on them and finally SEHK does not, nor is it required to, verify the accuracy of DI filings.

Such misunderstanding might be more readily addressed if SEHK were purely operating a passive conduit for DI filings which would be the case under the proposals. Accordingly, we are prepared to work with the SFC to carry out the necessary system enhancements to support mandatory electronic DI filing.

For historical reasons over the past seventeen years under the earlier Securities (Disclosure of Interests) Ordinance and the present Part XV of the SFO, the Exchange has been required to administer the filing and publication of DI notices in accordance with the SFC requirements and specifications.

Today, there appears to be no compelling reason for this arrangement to continue and we strongly recommend that the SFC bring the DI publication operation in-house so that it can be administered alongside the other aspects of administration and enforcement of Part XV of the SFO performed by the SFC. This will not only comprehensively address any possible misunderstanding of the role of SEHK in relation to the DI regime but more importantly will provide an opportunity for further improvements in the overall efficiency and effectiveness of the administration of the DI regime and allow the SFC to directly interact with filers, their advisers and users of the DI filings. We believe that such a move would be welcomed by practitioners and filers.

The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

- 3 -

- (b) **Retain the current practices to update the DI pages on HKEx's website only once a day at approximately 5:00 pm on a business day**

It is proposed that the existing practice of batch release of DI notices once a day at 5:00 pm on a business day will be retained so that there will be the opportunity to clarify any erroneous filing before market opens again and investors only need to refer to the DI pages once a day.

The present DI publication regime under Part XV of the SFO depends upon up-front discipline by DI filers and then ex-post monitoring and, if appropriate, enforcement by the SFC to deter erroneous filings. This will continue to be the case after the introduction of mandatory electronic filing unless it is intended that the SFC will make enquiries into the accuracy of DI filings on a near real time basis and before the market reopens. Currently SEHK staff will make enquiries solely for the purpose of clarifying the content of illegible hard copy DI filings. Such enquiries will be redundant with the advent of mandatory electronic DI filing.

Reference has also been made to SEHK's current policies and practices regarding the publication of potentially price sensitive information. We would like to provide you with an update.

Following on from the successful implementation of the Electronic Disclosure Project, on 26 November 2007 the Listing Committee approved an amendment to the Listing Rules, subject to SFC approval and operational readiness, to permit issuers, from a date to be announced in the first quarter of 2008, to publish all types of announcements, including price sensitive information announcements, between 12:30 pm and 2:00 pm on a business day. The Listing Committee also approved an amendment to the suspension policy so that price sensitive information announcements can be published during the current morning window of between 6:00 am and 9:00 am and the lunchtime window, without imposing a suspension. The purpose of proposed amendments is to improve the speed at which information from issuers is disseminated to investors and provide investors the opportunity to trade earlier on the information they have received.

The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

- 4 -

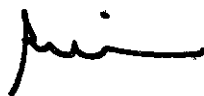
In this connection, to improve the speed of information dissemination we recommend the SFC consider, in addition to retaining the proposed 5:00 pm batch publication, introducing additional publication batches at say by 9:00 am and 2:00 pm on any business day. In the longer term, our preference would be a move towards straight through processing and publication during the same publication time frames to which issuers are subject to under the Listing Rules.

(c) Lessen specific requirements on registers of interests and short position kept by listed corporations

We support that unnecessary and redundant requirements should be lessened or eliminated.

In conclusion, we look forward to SFC implementing mandatory electronic submission of DI notices as soon as possible, since this is an immediate and important step to enhancing the DI filing regime. We shall be pleased to support the implementation of these proposals. We also look forward to proposals from the SFC to consolidate the administration of DI filing and publication with the other aspects of the administration and enforcement of the DI regime carried out by the SFC.

Yours faithfully,
For and on behalf of
The Stock Exchange of Hong Kong Limited



Richard Williams
Head of Listing