

Electronic Disclosure Project Opening Remarks by Richard Williams, Head of Listing, HKEx

Thank you Mr Chairman.

I am happy for our briefing paper to speak for itself and I don't propose to recap on the key points we make in that paper other than to emphasise that the implementation of this project has necessarily involved finding a balanced solution to conflicting needs and interests.

As the paper was prepared prior to the launch of the Electronic Disclosure Project (or EDP - in short) I would like to make some supplemental remarks about the operation of the regime since its successful launch on 25 June.

This major project was successfully rolled out across all Main Board listed issuers on 25 June 2007 following extensive market training and awareness programmes over the preceding six months.

In the first week of EDP operations 1,410 announcements and other documents were successfully submitted to HKEx by 518 issuers (including 473 equity issuers) through the designated electronic submission system (ESS) for publication on the HKEx websites.

Excluding the Internet transmission time which is beyond HKEx's control, the average processing time for document uploading was two seconds. The average processing time for the document to be published on the HKEx websites was around 55 seconds.

The HKEx website, which is now the primary channel of issuer news dissemination, recorded over 19 million page views (excluding access to IPO allotment result announcements) over the first five business days of EDP operations. By comparison, as we mention in our briefing paper the total number of page views for the calendar year 2002 was 76 million.

The HKEx service that provides email or SMS alerts on the latest issuer-related news published on the HKEx website transmitted 265,116 alerts between 25 and 29 June. The service was recently enhanced by doubling the maximum number of stocks a subscriber may select from 10 to 20, and by reducing the interval between the dissemination of alerts from one hour to 30 minutes. HKEx also conducted a promotion campaign for the alert service in June and as of 30 June had registered 29,809 users.

HKEx did not observe nor did it receive any complaints about online traffic congestion affecting investors' access to issuer documents through the HKEx website. Nor are we aware of any material systems problems or system performance concerns.

There were a very few isolated incidents, which the media reported, where issuers had mistakenly stated incorrect trading resumption times in their announcements or attached an incorrect version of a document for publication or used incorrect or incomplete headline categorisations. The mistakes were rectified by subsequent correction announcements and by other remedial actions. None of the incidents were related to technical problems of the ESS or any other HKEx systems, and none of them resulted in a misinformed or disorderly market.

Prior to the launch of EDP, issuers were invited to attend seminars and to participate in workshops and rehearsals to help them become familiar with EDP operations and procedures. They were also asked to submit written confirmation of their operational readiness for the 25 June EDP launch date. Over 99 per cent of all issuers indicated that they were ready for the launch of EDP.

We consider that these incidents arose due to the listed companies in question either being unfamiliar with certain aspects of the new system and rules and through poor execution and override of quality assurance controls we built into the ESS system for the benefit of users. The media coverage of these incidents should help other companies avoid similar mistakes.

In anticipation of the initial issues that listed companies may face, the Exchange issued extensive and comprehensive guidance which is published on the Exchange website in the form of frequently asked questions. Further, in considering the roll-out date for the EDP, the Exchange purposely selected one of the low periods in terms of publication of announcements so as to minimise any potential risks.

As we had anticipated, a very small number of listed companies experienced difficulties in meeting the 11pm publication deadline. This included the publication of announcements containing price sensitive information during the morning publication window that resulted in suspension during the morning trading sessions or continued suspension where the stocks were already suspended, with resumption at 2.30pm. Statistics to date show that listed companies are implementing better discipline which has resulted in fewer suspensions.

Still on the topic of suspension, there were comments that, for each suspension, two announcements were issued, one by the listed company and one by the Exchange, which resulted in investor confusion. Although we consider that the difference between the announcements was clear, we took immediate remedial action to distinguish the announcements made by the Exchange from those made by companies.

When submitting a document for publication, listed companies must select the appropriate headline categories that describe the contents of the announcement. The headline categories act as signposts and are a feature we introduced to facilitate easy access to and searching of the documents published. Our experience has been that some announcements have been made with incomplete or inaccurate headlines. As a result, listed companies have had to amend the headline categories. Such amendments show up as another publication on the website. Our data indicates that this issue is receding: in the first twenty four hours of operations about 27% of announcements required amendment; on the fourth day of operations this was down to about 13%.

We will continue to monitor compliance with the requirements of the new regime, listen to feedback from investors and other users of our website and take further action where necessary to promote high levels of compliance and to further enhance our website.

Richard Williams
Head of Listing, HKEx
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