

**For information  
on 26 February 2009**

**Legislative Council Panel on Financial Affairs**

**Issues related to the proposed extension of the “black out” period  
and introduction of quarterly financial reporting**

**Purpose**

This paper updates Members on the latest development with regard to the proposed extension of the “black out” period and introduction of quarterly financial reporting for companies listed on the Stock Exchange of Hong Kong. In preparing the paper, we have consulted the Securities and Futures Commission (SFC) and the Listing Division of the Hong Kong Exchanges and Clearing Limited (HKEx).

**“Black out” period**

2. At the Special Meeting of the Legislative Council Panel on Financial Affairs (FA Panel) on 30 December 2008, Members passed a motion “requesting not to effect the amendments to the Listing Rules and launch a consultation afresh”. This was reflected to the Listing Committee of the HKEx (the LC). Since then, the market has also expressed views to the Administration, the SFC and HKEx on the issue of “black out” period and related matters like shortening the deadlines for half-yearly and annual reporting and the introduction of quarterly reporting.

3. In response to latest market comments, the LC had also invited the SFC to provide further advice on the issue of “black out” period and associated issues concerning enhancements to the Hong Kong disclosure regime. In addition, the Listing Division of HKEx had conducted further analysis of dealings by directors during the year ended 31 December 2008.

4. The SFC recognises that standards of corporate governance and transparency for listed companies play an important role in ensuring that Hong Kong provides, and is seen as providing, an orderly, informed and fair market for securities of listed companies. It advised the LC that the number of complainants, the new arguments put forward, and the involvement by the FA Panel suggested that the proposed rules and other

changes to reporting should be considered as a package. The SFC believes that it is important for market confidence that the regulators are seen to be sensitive to market sentiment and are ready to consider the merits of widespread calls for rule changes, even when the rules are only recently promulgated.

5. At its meeting on 12 February 2009, the LC discussed the way forward for the extension of the “black out” period and other proposals to enhance the disclosure regime. Having regard to the advice of the SFC and the findings of the Listing Division's analysis, as well as the recent comments concerning the extension of the “black out” period, the LC decided to modify the “black out” period proposal. Under the modified proposal, the “black out” period applicable to the publication of an issuer's annual financial results will be extended from one month to 60 days; and that for half year and other interim periods will be 30 days, in line with the current requirement of one month.

6. At its meeting on 23 February 2009, the SFC approved the revised Listing Rules amendment to implement the aforesaid modified proposal on the extension of “black out” period. The revised rule will come into effect on 1 April 2009. In granting the approval, the SFC took account of the recent market comments concerning the extension of the “black out” period.

### **Quarterly financial reporting**

7. The LC notes that the proposed extension of the “black out” period is one of the measures to enhance the disclosure regime. The LC is pursuing other enhancements to the disclosure regime including quarterly financial reporting and implementation of a statutory obligation to disclose price sensitive information, to be supported by a proportionate range of statutory sanctions which would act as an effective deterrent to non-compliance. On the latter, the LC will work with the SFC to consult, as early as possible, on amendments to improve the current formulation of the disclosure of price sensitive information rule in the Listing Rules.

8. The LC views quarterly financial reporting as a long term goal. As an interim enhancement, the LC will explore alternative approaches and undertake a further consultation with stakeholders on the alternative formats in which listed issuers may report to shareholders on a periodic basis in addition to annual and interim reports. The LC will work together with the SFC to take forward the proposal.

9. The Administration supports measures to enhance the disclosure regime under the SFO and the Listing Rules. Proposals to improve the existing periodic reporting requirements and the current formulation of the requirement to disclose price sensitive information in the Listing Rules will help enhance the quality of the securities market in Hong Kong. This should be supported by more effective deterrents to promote timely disclosure of relevant information to the investing public. We look forward to consensus among market participants, SFC and LC on the best way to codify these proposals in the statute for early introduction of legislative amendments to the Legislative Council.

**Financial Services and the Treasury Bureau**  
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