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HKEx's new disclosure system neglects investors' interests

The Electronic Disclosure Project is to be introduced by Hong Kong Exchanges and Clearing today. Under this project, listed companies are only required to release their financial information to the HKEx electronically, as opposed to the previous requirement under which companies were mandated to publish their results in newspapers.

I believe that this new system comes with certain risks and is absolutely unfavorable to investors.

The Electronic Disclosure Project, by its very name, implies easy disclosure of information, but its claimed benefits---such as easy conveyance of information to investors and making information more understandable---have yet to be verified.

We have to first consider the goal of the new system, which is to let investors receive information conveyed by listed companies. In other words, listed companies are fulfilling their responsibilities to investors.

Releasing information to the public is a responsible action but, sadly, the new system downgrades the communication relationship that long-existed between investors and listed companies. This will cause investors to become less informed about companies and, in turn, jeopardize their right to information.

As the voice of Hong Kong's investors, the Hong Kong Institute of Investors has the responsibility to analyze the problem truthfully, allowing regular investors to be informed of the downsides of the new system. I believe this new system is riddled with risks, and is unfavorable to investors.

The dangers and unreliability of disclosing information via a single channel:

When listed companies release their financial information only through HKEx and its company Web site, certain dangers are involved.

For instance, when I visited a certain big bank's Web site after it announced its results, the network was extremely busy and the report failed to load---probably due to an overload of European and American analysts, as well as investors, all browsing the Web site at the same time.

Given the continued increase of investors in the Hong Kong stock market, if certain companies were to release some important information that attracted investors and the public to visit the Web site at the same time, the HKEx and companies' Web sites will most likely be unable to handle the volume of visitors.

Likewise, at the trading debut of some popular IPOs, quite a few investors who trade online may find the trading system slow. The online trading systems of some banks could even break down and cause investors' computers to crash.

I have reason to doubt that, in the event of important announcements such as IPO results and shares applications, the HKEx and company Web sites will have the ability to manage large numbers of investors browsing their Web sites at the same time. Some investors will probably be forced to sell their shares at a lower price than they bought at, resulting in a loss. Who wouldn't be frustrated and angry?

Information released via the Internet will create trouble for investors.

Most listed companies' Web sites are hard to locate---perhaps those behind the new system have never actually attempted to research a listed company's Web site.

HKEx Web Site is not user friendly:

The HKEx Web page is far from user friendly. It is difficult, for instance, to locate HSF open interest, short selling, share or market data.

Discrimination against traditional investors:

It also discriminates against traditional investors. Many investors in Hong Kong are aged

between 50 and 60 and are not familiar with using computers, let alone the Internet. Traditionally, they have always received information through newspapers and used the telephone to purchase shares.

Why narrow the transmission path of information? A listed company should be able to afford the price of publishing its notices relating to their investment status.

It has worked perfectly all this time, so why waste time establishing a new system?

Risk of HKEx becoming an information-channel monopoly:

There is also a risk of HKEx becoming an information-channel monopoly. As a nongovernmental organization and also a listed company, HKEx has the responsibility to look after the interests of its own shareholders.

However, it does not have an obligation to offer free information for listed companies.

If HKEx is to become an organization that channels information, HKEx should also be required to charge for providing such a service. The interest of investors should be the responsibility of the government, rather than a business organization like HKEx.