



SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

**Report on the Securities and Futures Commission's
2008 annual review of the Exchange's performance
in its regulation of listing matters**

April 2009



Table of contents

Executive Summary	1
Section 1	2
Purpose and focus of our review	2
Our approach	3
Scope of our review	3
How we conducted the assessment	4
Gauging market perception of the Exchange's performance	4
The assessment process	4
Section 2	6
Overall assessment	6
Market perception of the Exchange's performance	6
Observations on the Listing Division's performance	7
Level of activities	7
Need for a coherent and comprehensive strategy in monitoring and enforcing price sensitive information disclosure	7
C&M Department's processes and procedures	10
Transparency	11
Timeliness of Disciplinary Actions	13
Recommendations	13
Appendix A	14



Executive Summary

1. This report summarises the key findings and recommendations of the Securities and Futures Commission's 2008 annual review regarding the performance of The Stock Exchange of Hong Kong Limited (the "Exchange") in its regulation of listing matters during 2007.
2. This report records our assessment of the Exchange's performance for the year 2007.
3. We reviewed the Exchange's operational procedures and decision-making processes in each of the Listing Division's operational departments to assess whether they are adequate to enable the Exchange to meet its statutory obligation under section 21 of the Securities and Futures Ordinance (the "SFO"). The Exchange has a statutory obligation under section 21 to ensure, as far as reasonably practicable, an orderly, informed and fair market.
4. We are of the view that the operational procedures and decision-making processes reviewed were appropriate to enable the Exchange to discharge its statutory obligation under section 21 of the SFO during the period reviewed.
5. We are satisfied that the Exchange has taken steps to address the recommendations in our 2007 report. Since the period covered in our 2007 annual review, the Exchange continued reviewing and refining its practices and procedures. In respect of transparency of its disciplinary actions, the Exchange has begun to include details of conditions to the disciplinary sanctions imposed by the Listing Committee. The C&M Department has continued to review and streamline its decision-making processes in 2007. Overall, we find the Exchange's performance has improved over the last four years.
6. This report is divided as follows:
 - (a) Section 1 explains the purpose and focus of our review, its scope and the review process;
 - (b) Section 2 sets out our assessment and recommendations; and
 - (c) Appendix A is a table summarising the results of a survey of the Listing Committee members and the market participants' view of the Exchange's performance.



Section 1

Purpose and focus of our review

7. This is our report on our 2008 review of the Exchange's performance in its regulation of listing matters during 2007.
8. We have a statutory duty under section 5(1)(b) of the SFO to supervise, monitor and regulate the activities carried on by the Exchange. As set out in the Memorandum of Understanding between the Exchange and ourselves dated 28 January 2003 ("Listing Matters MoU"), we have agreed with the Exchange that we should periodically review the Exchange's performance in its regulation of listing-related matters. Our periodic review does not cover the other activities carried on by the Exchange, such as market and product development.
9. In March 2004, the Government published its Consultation Conclusions on Proposals to Enhance the Regulation of Listing. Amongst other matters, the Government recommended that we prepare annual reports on our review of the Exchange's performance of its listing functions and submit these reports to the Financial Secretary. This is our fourth report following the Government's recommendation.
10. As a recognised exchange under the SFO, the Exchange has statutory obligations to:
 - (a) ensure an orderly, informed and fair market, so far as reasonably practicable, and
 - (b) act in the interest of the public, having particular regard to the interest of the investing public¹.

The Exchange is also required under section 21(6)(b) of the SFO to provide and maintain competent personnel for the conduct of its business. It has also agreed in the Listing Matters MoU to maintain an adequate level of staff strength in the Listing Division with an adequate level of professionalism and experience to discharge the responsibilities of the Listing Division.

11. Except for matters specifically reserved by the Listing Committee, most matters concerning the Listing Rules are dealt with by the Listing Division in the first instance. Matters dealt with by the Listing Division include processing listing applications, monitoring and enforcing listed companies' compliance with the Listing Rules.
12. As with our previous review, we reviewed the Exchange's operational procedures and decision-making processes to assess whether they are adequate to enable the Exchange to meet its statutory obligations under section 21 of the SFO.
13. The Exchange's statutory obligation under the SFO is ongoing, and whether it has made necessary arrangements to comply with its obligation in the future cannot be judged merely by reference to its past compliance. Therefore we use the review process to assess whether the Exchange has taken adequate steps to meet its statutory obligation and identify issues that, in our view, should be addressed to ensure ongoing compliance.

1 Section 21 of the SFO



Our approach

14. Our review process focussed on the Listing Division's laid down procedures and processes as a whole, supplemented by reviews of sample cases in order to understand how the division's policies work in practice and to verify whether the division's practices follow its policies.

Scope of our review

15. We focussed on reviewing the decision-making process and operational procedures in each of the operational departments in the Listing Division during our annual review of the Exchange's performance in its regulation of listing matters.
16. We did not review the quality of the Listing Division's decisions during the annual review process as this forms part of our regular oversight function of the Exchange under section 5(1)(b) of the SFO. We will raise and discuss with the Exchange any particular matter which comes to our attention during the course of the year as and when such matter arises.
17. In 2008, we reviewed the operations of the following departments and teams under the Listing Division in the course of 2007:
 - (a) the Initial Public Offers Department (the "IPO Department") whose primary responsibility is to process new listing applications in respect of equity securities;
 - (b) the Compliance and Monitoring Department (the "C&M Department") which is responsible for monitoring listed companies' compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")²;
 - (c) the Listing Enforcement Department (the "Enforcement Department") which investigates suspected breaches of the Listing Rules and institutes disciplinary action before the Listing Committee for such breaches by companies and their directors;
 - (d) the Debts and Derivatives Team of the Listing Operations Department³ which is responsible for processing listing applications for debt and structured products, such as derivative warrants and callable bull/bear contracts; and
 - (e) the Accounting Affairs Section of the Policy and Support Department which is responsible for the Financial Statements Review Programme. Under this programme, the Section staff review listed companies' financial statements to monitor whether financial information disclosed is in compliance with the Listing Rules, relevant statutory requirements and accounting and auditing standards.

2 References in this report to the "Listing Rules" refer to the Main Board Listing Rules and the GEM Listing Rules. For simplicity, references to a particular "Rule", "Rules", "Chapter" or "Chapters" refer to the Main Board Listing Rules only. The GEM Listing Rules contain broadly equivalent rules. As such, our observations and comments in this report apply equally to GEM.

3 The Listing Operations Department was established on 14 February 2007. Other than regulating debt and derivative products, it also supports issuer regulatory filing and dissemination and automation of the IPO process, which are not within the scope of this annual review.



How we conducted the assessment

18. In conducting our assessment, we considered:
- (a) the relevant internal Exchange materials, written policies, procedures and processes documented by the relevant operational departments in the Listing Division and any general practices that have not been documented;
 - (b) sample cases, including the relevant operational departments' internal reports and case files;
 - (c) information we receive from the Listing Division in the ordinary course of our dealings with the Division, including its monthly report to us, internal reports and case data;
 - (d) the Hong Kong Exchanges and Clearing Limited 2007 annual report, the Exchange's quarterly newsletter called the "Exchange", and the 2007 Listing Committee Report;
 - (e) the Exchange's published disciplinary procedures, listing decisions, rejection letters, guidance letters, and other related documents on the HKEx website;
 - (f) discussions with senior management of the relevant operational departments in the Listing Division;
 - (g) comments made in interviews or discussions with the relevant case officers;
 - (h) our continuing interaction with the Exchange under the Listing Matters MoU; and
 - (i) a survey of market participants' views to gauge the market's perception of the Exchange's performance in its listing-related functions, as mentioned below.

Gauging market perception of the Exchange's performance

19. As part of the review process, we conducted a survey of a number of market participants, including sponsors, legal advisers, accountants, investors and listed companies, and Listing Committee members, on a private and confidential basis. The purpose of the survey is to establish how they view the Exchange's performance in its regulation of listing matters and to gauge changes in the market's perception of the Exchange's performance over a period of time.

The assessment process

20. Our assessment of the Exchange's performance and our views expressed in this report are a combination of our on-site work, our consultation with market participants and Listing Committee members and our continuing interaction with the Exchange under the Listing Matters MoU.
21. We held an "exit" interview with the Head of the Listing Division, and the heads of the IPO Department, C&M Department and Enforcement Department. We discussed our findings with them at the "exit" interviews.



22. We sought the Exchange's comments on both the factual matters set out in this report and our conclusions.
23. The field work and review process were completed in May 2008.



Section 2

Overall assessment

24. We are of the view during 2007 the Exchange's operational procedures and decision-making processes in each of the Listing Division's operational departments as described in the "Scope of our review" section above, were appropriate during the review period to enable the Exchange to discharge its statutory obligation to ensure, so far as reasonably practicable, an orderly, informed and fair market.

Market perception of the Exchange's performance

25. We sent a questionnaire on the Exchange's performance to 158 (2007: 104) Listing Committee members and market practitioners and received 61 (2007: 46) responses. The response rate is 38% (2007: 44%).
26. The respondents were asked to rate the performance of the Exchange and each of the operating departments in the Listing Division in various key areas on a scale of 1 to 5 with "5" being wholly satisfied. Please refer to Appendix A for detailed summary of the result of the survey.
27. Overall, there is no significant change in the respondents' view of the Exchange's performance. The average overall score for 2007 is 3.7 compared with 3.6 in 2006. The respondents are generally satisfied with the efficiency and fairness of the Exchange in its vetting process.
28. The respondents' biggest concern remains with the timeliness of disciplinary action taken against listed companies and their directors and the transparency of the Exchange's policy on disciplinary actions. There are also several calls for the Exchange to improve the consistency in and the transparency of its decision-making. A few respondents suggested the Exchange should enhance the coordination with Mainland regulatory authorities on disclosures made by companies that have A and H shares. Handling of long suspended companies and enforcement matters remain to be areas to focus on.



Observations on the Listing Division's performance

Level of activities

29. The following table indicates the level of activity in the four operational departments of the Listing Division in 2005, 2006 and 2007.

	2005	2006	2007
Number of listing applications accepted by the IPO Department	111	88	125
Number of compliance and monitoring actions handled by the C&M Department	23,135	25,591	38,265
Number of investigations handled by the Enforcement Department	232	216	167
Number of listing applications processed by the Listing Operations Department	1,826	3,177	7,416
- derivative warrants	1,826	3,094	7,025
- Callable Bull/Bear Contracts (more commonly known as CBBCs)	N/A*	83	391

* The first CBBC was listed on 12 June 2006.

30. Notwithstanding an increase of 42% from 2006 to 2007 in the number of listing applications accepted by the IPO Department, the IPO Department maintained its average processing time for vetting listing applications prior to Listing Committee hearing at 16 weeks.
31. In the course of 2007, the C&M Department saw a 49% increase in the number of compliance and monitoring actions. This increase was mainly attributed to the increase in the number of listed companies' announcements vetted and the number of share price and trading volume monitoring actions undertaken by the department.
32. The number of investigations handled by the Enforcement Department fell 23% from 216 in 2006 to 167 in 2007. We note there was a decrease in the number of cases referred from the C&M Department to the Enforcement Department in 2007. The decrease in referral cases was the result of a change in the referral benchmark in 2007 where only cases which give rise to potentially serious implications for shareholders and the market will be referred to the Enforcement Department whilst cases of non-compliance where the facts do not have significant regulatory impact will be handled by the C&M Department.
33. The Debts and Derivatives Team saw an increase of 133% in the number of derivative warrants and CBBCs listing applications processed.

Need for a coherent and comprehensive strategy in monitoring and enforcing price sensitive information disclosure

34. We reviewed the operational processes and procedures of the Listing Division in respect of regulating price sensitive information disclosure. Price sensitive information includes unexpected and significant events which are material to a company's business, operations



or financial position and affect the prices of its securities. These events may be events outside the company's control, for instance, major market upheaval in the relevant industry.

35. Under Rule 13.09, a company has to keep the Exchange and holders of its securities informed, as soon as reasonably practicable, of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) that:-
 - (a) is necessary to enable them and the public to appraise the position of the group; or
 - (b) is necessary to avoid the establishment of a false market in its securities; or
 - (c) might be reasonably expected materially to affect market activity in and the price of its securities.
36. The guiding principle as to the disclosure requirement in the Listing Rules is that "*investors and the public are kept fully informed by listed issuers ... and in particular that immediate disclosure is made of any information which might reasonably be expected to have a material effect on market activity in, and the prices of, listed securities*" (see Rule 2.03(3)).
37. The Exchange commented in its August 2007 Consultation Paper on Periodic Financial Reporting that ad hoc disclosures is an area of practice which is less well developed in Hong Kong than in some markets, such as the UK. An examination of the extent listed companies published announcements containing price sensitive information under Listing Rule 13.09 that is outside the existing periodic financial reporting requirements indicates that over 50% of listed companies did not issue any such disclosure for most of 2007. This finding supports the view that Hong Kong listed companies as a whole do not have a well developed practice of regularly updating the market of price sensitive information that is not caught under the existing periodic financial reporting requirements. Anecdotal evidence suggests that there is too much emphasis on whether an "*information is subject to a decision*" when determining whether a piece of information is price sensitive. Sometimes information can be price sensitive even if it is not subject to a decision, e.g. a company's financial condition.
38. The lack of timely disclosure of price sensitive information by Hong Kong listed companies is a significant regulatory issue that could lead to establishment of false markets with uneven dissemination of information.
39. The Exchange monitors compliance of price sensitive information disclosure primarily by monitoring (i) daily fluctuations in the price and trading volume of a company's shares, and (ii) daily media reports. In vetting a company's announcement, it may look back and consider cumulative price movements to determine if there is any leakage of price sensitive information before the announcement is published. The Exchange also post-vets results announcements to monitor compliance of, among others, price sensitive information disclosure. There have also been occasions when the Exchange uncovers Listing Rules breaches during the course of investigating complaints against listed companies and their directors.
40. Possible breaches of the "*general obligation of disclosure*" requirement under Rule 13.09(1), to make timely, accurate or complete initial or continuing disclosure of



information relevant to investment decisions has been a key area of focus by the Exchange since 2003⁴.

41. We understand that the Exchange has found it difficult to successfully pursue formal disciplinary actions for breaches of Rule 13.09 in some cases because:
 - (a) the rule governing “*general obligation of disclosure*” is not worded in sufficiently specific terms. The Exchange commented that one of the flaws with the current drafting of Rule 13.09(1) is the fact that it mixes obligations and rules with guidance and notes. However, the policy behind Rule 13.09 is broadly sound and the Exchange has been able to successfully take disciplinary action against companies involving the different dimensions of the rule, such as (i) failure to make timely disclosure of price sensitive information; (ii) failure to make timely disclosure of information necessary to avoid the creation of a false (misinformed) market and (iii) selective disclosure; and
 - (b) it is difficult to obtain written and adequate evidence to make a case for breach of price sensitive information. The lack of independent corroborative evidence is a stumbling block to successful disciplinary actions against breaches of Rule 13.09 cases.
42. One particular area of difficulty which the Exchange has faced is media reports containing potentially price sensitive information attributed to a company’s senior management. Such reports may be inaccurate and/or has not been previously disclosed to the market, and typically follow press briefings or media interviews. Such media reports can lead to a misinformed market. The company concerned may be required to take remedial action; often by issuing announcements to clarify and/or correct the story. In such cases, it can often be difficult for the Exchange to take disciplinary action against the company and its directors for breaches of the general disclosure obligation under Rule 13.09. There would need to be evidence of, amongst others, what the individual actually said rather than just what was reported. Furthermore, there would also need to be a clear inference that the individual making such remarks, in the context that they arose, can be reasonably regarded as a spokesman for the company.
43. The Exchange to a large extent relies on cooperation from listed companies and their directors to respond and provide information regarding the facts and circumstances surrounding a particular suspected breach. It has no authority or power to compel the companies and directors to cooperate and to provide evidence. It can only rely on the company and directors’ undertakings to comply with the Listing rules and the directors’ further undertaking to cooperate with any investigations by the Exchange.
44. Further the Exchange has limited sanctioning powers under Rule 2A.09. The Exchange’s powers is largely reputational in nature, and includes private reprimands, public censure and public statements that in its opinion a particular director’s retention of office is prejudicial to the investors’ interests, and in the event the director concerned continues to remain in office, suspend or cancel the company’s listing. In determining whether to take disciplinary action against a company and its directors, the Exchange takes into account a number of factors; the most significant of which are the seriousness, duration and frequency of the breach, the nature of the breach and its impact on the orderliness and

⁴ See “The Stock Exchange’s Strategy for Enforcing the Listing Rules” in the October 2004 issue of the *Exchange* newsletter at <http://www.hkex.com.hk/publication/newsltr/2004-10-02-e.pdf>.



reputation of the market, whether there are any prejudice or risk of prejudice to investors, and whether the breach was deliberate or reckless⁵.

45. Our observations of the Exchange's work in enforcing the Listing Rules should not be taken as criticism of its performance in its regulation of listing related matters, but recognition of the constraints under which it conducts its investigation and disciplinary actions. The limitation of Exchange's regulatory powers to some extent does not promote a culture of keeping the market updated of price sensitive information. Whilst the Exchange can and has taken disciplinary action against listed companies and their directors for failure to disclose certain price sensitive information, it faces an uphill battle to investigate and establish the truth, as information can only be obtained with the company's and its directors' cooperation.
46. The Exchange promotes a culture of compliance with the continuing disclosure obligations in the Listing Rules through education and publication of guidance. We note that on 17 November 2008, the Exchange announced its initiatives to promote transparency of its listing enforcement actions where specific guidance is provided to the relevant listed companies as an element of the case closure.
47. We are of the view that whilst the Exchange has focused resources on dealing with non-compliance with the disclosure of price sensitive information requirement, its efforts have yet to bear fruit. There is a perception that Hong Kong listed companies have not embraced the obligation to update market in respect of price sensitive information. The Exchange should review its policy and strategy and prioritize its efforts to regulate this type of disclosure and to encourage listed companies to keep the market updated of price sensitive information. It should also consider enhancing its efforts to raise the public awareness and educate the market of the importance of making timely disclosure of price sensitive information.

C&M Department's processes and procedures

48. We note and commend the enhancements in the C&M Department's operational procedures and decision-making processes which improve the efficiency and effectiveness of its regulatory actions.
49. During the course of 2007, the C&M Department reallocated more administrative work from case officers to administrative staff and also transferred record keeping tasks to a separate Administration Team. These work reallocations allow case officers to focus their time on the more substantive regulatory work.
50. A dedicated team was also set up in May 2008 to support the operations teams in monitoring price and volume movements of listed companies' shares. This special team focuses on monitoring unusual price/volume movements and hence allows the operations team staff to concentrate their efforts on other day-to-day operational work.
51. The dedicated team formed in the second half of 2006 to handle long term suspensions has improved the timeliness of handling such suspensions. This team monitors all corporate actions of long suspended companies, including press monitoring. The number

⁵ The Exchange's enforcement strategy is more fully described in the article "The Stock Exchange's Strategy for Enforcing the Listing Rules". See the October 2004 issue of the *Exchange* newsletter at <http://www.hkex.com.hk/publication/newsltr/2004-10-02-e.pdf>.



of resurreptions increased from 19 in 2006 to 23 in 2007, and the total number of long suspended companies at year end dropped from 57 in 2006 to 45 in 2007. While there appears to be statistical improvement in the handling of long suspended companies, this has yet to be reflected in market perception of the Exchange's performance in this area.

Transparency

52. We are of the view that whilst the Exchange has made efforts over the past four years to improve the transparency of its work, there remains room for improvement. The Exchange has published Guidance Letters, Rejection Letters and FAQs on new Listing Rules since 2004. It has also published more frequently its letters to issuers to provide supplementary guidance on the Listing Rules and other listing-related matters. One of the other ways the Exchange informs the market of significant issues regarding interpretation of the Listing Rules that has arisen is via the publication of Listing Decisions.
53. Despite the increase in the number of listed companies from 1,173 in 2006 to 1,241 in 2007, the number of Listing Decisions issued by the IPO Department dropped from 32 in 2006 to 7 in 2007. The Exchange explains the drop in the number of Listing Decisions in 2007 is simply a reflection of the fact that a large number of decisions in 2007 did not present novel issues or matters which may generate significant market interest.
54. The significant drop in the number of Listing Decisions is further partly explained by a change in the department's policy in issuing such decisions. In previous years the policy was to publish a listing decision for every listing approval that may have significant market interest or involve novel issues. However, the current policy is to identify a discrete theme which the market may have significant interest and then publish listing decisions under that theme.
55. We do not comment on the merits of the new policy but we note there appears to be a lack of structured and proactive process in respect of publishing listing decisions. There are a number of draft listing decisions prepared by the IPO Department staff where no decision has been made whether to publish them. The decision whether to publish a draft listing decision rests solely at discretion of the Heads of the IPO Department and the Listing Division. There does not appear to be clear guidelines when a listing decision should be prepared and published.
56. There is relatively little publicity attached to the disciplinary actions taken by the Enforcement Department. Currently the Exchange only publishes public sanctions imposed by the Listing Committee together with any conditions to sanctions imposed. There is no publication by the Exchange or the listed company on progress in fulfilling the conditions imposed in a disciplinary decision.



57. The following table shows the number of investigation and disciplinary cases handled by the Enforcement Department in 2004, 2005, 2006 and 2007⁶.

	2004	2005	2006	2007
Number of Investigations	201	232	216	167
Number of Public Censures	5	10	9	9
Number of Public Statements / Criticisms	14	8	11	7
Number of Private Reprimands	3	3	2	0
Number of Warning / Caution Letters	161	109	96	63

58. Under the current sanction regime, sanctions made public by the Exchange include public censures and public statements of criticisms. In 2007, of the 167 investigations handled by the Enforcement Department 16 cases were concluded by public censures and public statements of criticisms. 63 cases were concluded by issuing warning letters and caution letters. The decrease in the number of formal investigations handled by Enforcement Department reflects changes introduced to target enforcement resources towards cases of greater regulatory significance. This allows the Exchange to expand the scope of the public sanctions both in terms of number of breaches covered; individuals sanctioned and remedial actions directed on each occasion, but the increased scope is not reflected in these figures.
59. Private reprimands imposed by the Listing Committee, warning letters and caution letters issued by the Enforcement Department are not published. In addition, the C&M Department also issued 250 private letters to listed companies to provide guidance on the Listing Rules in 2007 ("guidance letters"). Whilst we appreciate that there is a privacy issue in not publishing these documents to protect the identity of the listed company concerned, it would be useful to publish details of the main areas covered by private reprimands or warning, caution and guidance letters. We recommend the Exchange review warning, caution and guidance letters and private reprimands and publish details that are of interest to the market.
60. The Exchange has advised us that it is of the view that these guidance letters do not present any particular issues or development that has general implications for other companies, and that these letters involved only minor or technical breaches of the Listing Rules. In 2007, the Exchange issued 7 letters to all listed companies to provide general guidance on rules or listing related matters which in its experience are of continuing relevance in dealing with some compliance issues.

⁶ The statistics show the number of cases handled. It is not an indication of the level of activity in the Enforcement Department. For instance, actions taken against a company and its directors are normally counted as 1 case, irrespective of the number of directors or parties involved. In addition, the statistics do not distinguish between complex and long running cases which are very resource intensive (e.g. disciplinary actions against Styland Holdings Limited and New World Development Company Limited), and other relatively simpler cases. Each of these cases is counted as 1 irrespective of its complexity, length, the number of breaches and parties involved, and the resource requirements.



Timeliness of Disciplinary Actions

61. In 2007 the average time for the Enforcement Department to complete an investigation case did not change significantly from that in 2005 and 2006. In the past four years, there was no substantial change in the timeliness of enforcement actions. From our discussion with the senior management in the Enforcement Department, the department faces the difficulties and challenges in its investigation process which lengthens the time taken to conclude its disciplinary actions as follows:
- (a) inadequate cooperation from listed companies, their directors and parties involved in the investigation process;
 - (b) low priority given by listed companies and their management in responding the Enforcement Department's enquiries;
 - (c) frequent requests by listed companies for additional time to provide answers and documents; and
 - (d) where a Listing Rules breach takes place over a long period of time or there are changes in the composition of the board and management of the listed companies under investigation, an investigation into the breach may involve many people.

Despite these difficulties, we note that the Exchange has taken formal disciplinary action on the basis of the undertaking given by directors and has secured public sanctions against the recalcitrant directors in the most egregious of cases.

62. As the Exchange cannot compel a listed company or its directors to cooperate with its investigations, its ability to improve the timeliness of its investigation and disciplinary actions are constrained by a listed company and its directors' cooperation with the Exchange. Having said this, issuers on the whole do generally co-operate in a timely manner with Exchange's enquiries. Cooperation with the Exchange's enquiries is a factor which is taken into account in deciding upon the appropriate level of disciplinary action to be taken in a given case.

Recommendations

63. We recommend that the Exchange review its policy and strategy and prioritize its efforts to regulate price sensitive information disclosure and to encourage listed companies to keep the market updated of price sensitive information. It should also consider enhancing its efforts to raise the public awareness and educate the market of the importance of making timely disclosure of price sensitive information.
64. We recommend that the Exchange continues its effort to improve the transparency of its listing decisions and to enhance the transparency of the disciplinary actions.



Appendix A

The table below sets out the weighted average scores given by the survey respondents. The respondents were asked to rate the Exchange's performance in various key areas on a scale of 1 to 5 with "5" being wholly satisfied and "1" being wholly dissatisfied.

		2006	2007	2008
Views on the Exchange's performance in its regulation of listing related matters				
1.	Communications to the market of the Exchange's policies and practices under the Listing Rules	3.0	3.4	3.8
2.	Timely response to the market developments	3.1	3.3	3.4
3.	Acting in the interests of the investing public	3.6	3.9	4.0
4.	Provision of a fair, orderly and efficient market for the trading of the securities	4.0	3.9	4.0
5.	Ensuring that investors are kept fully informed of price sensitive information by listed companies on a timely basis	3.9	3.9	4.0
6.	Equal and fair treatment of all holders of listed companies	3.7	3.6	3.7
7.	Quality of companies listed in 2007	3.5	3.9	3.8
Views on the Listing Division's performance				
8.	Consistency in decision-making	3.5	3.5	3.7
9.	Impartiality	3.9	3.8	3.8
10.	Timeliness of responses	3.3	3.6	3.6
11.	Pertinence of enquiries and comments raised during the vetting process or investigation process	3.3	3.5	3.6
12.	Experience and knowledge of the Listing Rules as regards its understanding of the policy issues behind the Listing Rules	3.6	3.9	3.9
13.	Experience and knowledge of the Listing Rules as regards its understanding of the requirements of the relevant provisions in the Listing Rules	3.9	3.9	4.0



		2006	2007	2008
Views on the various aspects of the IPO and C&M Departments' work				
14.	Handling general enquiries	3.3	3.6	3.7
15.	Handling requests for guidance on the application of a particular Listing Rule	3.1	3.5	3.5
16.	Processing applications for waivers	3.4	3.6	3.8
17.	Processing listing applications	3.5	3.6	3.8
18.	Clearing draft announcements, circulars and other corporate information	3.4	3.7	3.7
19.	Handling complaints	3.2	3.5	3.6
20.	Handling short term suspension	3.2	3.4	3.6
21.	Handling long term suspension	3.2	3.3	3.2
Views on the quality of disclosure documents vetted by the Exchange				
22.	Clarity of prospectuses, announcements, circulars and other corporate information	3.4	3.6	3.9
23.	The relevant documents provide sufficient information to enable investors and shareholders (where relevant) to make properly informed assessment of the relevant issuer	3.6	3.7	3.9
24.	The relevant documents are easy to understand	3.1	3.2	3.5
25.	Timely issue of announcements and circulars	3.6	3.7	3.8
Views on the Exchange's performance in monitoring compliance with and enforcement of the Listing Rules				
26.	Monitoring compliance with the Listing Rules by listed companies and directors	3.5	3.6	3.7
27.	Timeliness of disciplinary action taken against listed companies and directors	2.5	2.9	3.0
28.	Transparency of policy on disciplinary actions	2.8	3.1	3.3



		2006	2007	2008
Views on the Exchange's policies and practices under the Listing Rules				
29.	The Exchange's short term suspension policy is appropriate	3.5	3.7	3.7
30.	The Exchange's long term suspension policy is appropriate	3.2	3.5	3.7
31.	The Listing Division has clearly communicated its approach to pre-vetting listed companies' announcements, circulars and listing documents.	3.1	3.4	3.9
Overall average scores		3.4	3.6	3.7