

NEWS RELEASE**December 11, 1998**

**Market consultation begins on proposed
changes to Exchange Listing Rules
governing financial disclosure**

The Stock Exchange today (Friday) issued a consultation document on proposed changes to the Exchange Listing Rules. Alec Tsui, Chief Executive of the Exchange, told a news conference that the proposed changes would result in improved financial disclosure in interim and final reports, prospectuses and other areas of reporting.

Details of the proposed changes are described below:

Financial reporting requirements

The Exchange recommends that income statement, balance sheet, cash flow statement, statement of recognised gains and losses, accounting policies and explanatory notes be included in interim reports.

It proposes to require issuers to issue interim results within two months of the end of the interim period in order to increase the timeliness of disclosure by issuers. If adopted, it will be appropriate to shorten the time for annual reporting from five to three months after the end of the financial year, so as to reduce the period between publication of the interim and final results.

The Exchange is seeking views on whether interim reports should be audited, or reviewed by auditors or the audit committee, in order to increase their credibility.

Where appropriate, the Exchange would make amendments to reflect these changes in areas including annual reports, prospectuses and other areas of reporting.

Disclosure by financial conglomerates

Financial conglomerates are defined as issuers whose financial business represents more than 15 per cent of net assets or profit attributable to shareholders; and whose financial business has total assets exceeding \$1 billion, or customer deposits plus financial instruments held by investors, exceeding \$300 million.

The Exchange considers it important that these financial conglomerates adopt standards comparable to those of the Hong Kong Monetary Authority Best Practice Guide in relation to their financial business operation. The required disclosures include off-balance sheet exposures of contingent liabilities, as well as information about derivatives, risk management strategy, and segmental information.

Management discussion and analysis (MD&A)

Most issuers have provided insufficient analytical and in-depth discussion in their MD&A which have been required to be included in annual reports since 1994.

The Exchange proposes to improve the quality of information in MD&A by amending the guidance included in the Listing Agreement as a mandatory disclosure rule. It also recommends expanding the disclosures required in the MD&A.

Timely public disclosure

The Exchange has taken this opportunity to provide issuers with further guidance on when

they are required to make timely disclosure by way of paid announcements.

A disclosure obligation arises when:

there is a major market upheaval in the industries, countries or regions where the issuer has significant operations or transactions, or there are significant changes in exchange rates that are key to its operations;

the issuer is aware that the group results will be significantly different to the previous year? results;

the issuer plans to commit significant resources to a non-core business that has not previously been announced.

"Hong Kong and international investors expect high standards of transparency within a secure but flexible regulatory environment," Mr Tsui said. "The proposed changes mark another step towards raising financial disclosure to a level compatible with Hong Kong's position as a major international financial centre," he said.

Lawrence Fok, Senior Executive Director, Regulatory Affairs Group, said: "Issuers will raise their company's profile and project a responsible image in the market by implementing the recommended high disclosure standards. This will attract more international investors and market participants."

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Corporate Communications Department