

**THE STOCK EXCHANGE OF HONGKONG LTD:
RULES, RULES AND DAMNABLE RULES !**

But It's Alright If Companies Don't Follow Them

The Listing Rules of The Stock Exchange of Hongkong Ltd are far from being perfect.

Then, again, what in this world is perfect?

In the case of quite a number of The Listing Rules of The Stock Exchange of Hongkong Ltd, however, they need to be revamped as a matter of some urgency, it appears to **TARGET** ().

For the managements of publicly listed companies that, openly, flout The Listing Rules, the application of sanctions might well be the best remedy to redress the balance.

If a person, driving a motor vehicle well in excess of the advertised speed limit, gets caught by an officer of the law, that person might well suffer the consequences of his criminal act.

While speeding may be considered a minor traffic violation, in most cases, if the person, in control of a motor vehicle, is found to have been driving under the influence of alcohol – in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), this is known as '*Drink Driving*' – this could be considered a very serious criminal offence and the consequences of being found, driving under the influence of alcohol, could be grave, even to the extent of the driver, being incarcerated.

However, there are areas in the rules and laws of the HKSAR whereby, if a person(s) is found not to have obeyed the rules/laws and/or the spirit of the rules/laws, that person could get off scot-free.

Because there is no penalty or sanction to be imposed for non-conformity of certain rules/laws.

One such situation is in respect of certain sections of The Listing Rules of The Stock Exchange of Hongkong Ltd, specifically, attendance of Directors at Directors' Meetings.

Because The Listing Rules are rules, not laws – laws, being defined as rules of conduct, imposed by a secular authority – the most that could happen to the management of a company for not obeying or following a rule(s) and/or the spirit of a rule(s) is for sanctions to be applied if the infringement(s) is considered sufficiently serious in the eyes of the relevant authority.

The word, '*sanction*', in this case, is used in the ethical sense, meaning that it is a consideration which operates to enforce obedience to a rule of conduct; a recognised motive for conformity to accepted moral law of the HKSAR, operating through a desire for some resultant good, or, alternatively, a fear of some resultant evil.

The anomaly, in **TARGET**'s opinion, in respect of The Listing Rules was unearthed, following the publication of **TARGET** Intelligence Report, Volume XII, Number 8, published on January 13, 2010, headlined:

'FAR EAST HOTELS AND ENTERTAINMENT LTD:

FOR THE CHIU – ONE AND ALL !

This report, initially, was meant to focus on the financials of Far East Hotels and Entertainment Ltd () in respect of the 66 months, ended September 30, 2009.

As far as **TARGET** was concerned, it boiled down to:

- a. For the 66 months, ended September 30, 2009, the net result of this company's operations was a Loss Attributable to Shareholders of about \$HK187.83 million; and,
- b. For the 66 months, ended September 30, 2009, Shareholders' Funds had deteriorated from about \$HK465.81 million to about \$HK289.03 million, a fall of about 38 percent.

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