

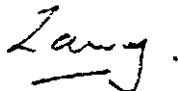
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27th October 2003

LC Paper No. CB(2)725/03-04(02)

To: May Tam, ~~Pene~~ Hout, Lily Lee, Therese Chow, Tam Sau Hing, Philip Li,
Phyllis Kwong, John Ip, K. Sundaramoorthy James Li, Eddie C.Y. Chan
Weir Shane Frederick, Anthony Loong, John Ku

Draft letter for your consideration and discussion to-morrow.



c/o Messrs. Lo and Lo
35th Floor, Gloucester Tower
The Landmark
Central
Hong Kong

October 2003

Ref: CR/R/S21/33/77

BY HAND

The Registrar of Companies
Registrar General's Department
14th Floor, Queensway Government Offices
66 Queensway
Hong Kong

Attn: Ms. Daphne Ng-Quinn

Dear Sirs,

Re: Application for approval of the proposed amendments of the
Articles of Association of the Law Society

As requested by your Ms. Ng Quinn at a meeting with Ms. May Tam and myself on 24th
October 2003 at your offices, I set out hereunder the following :-

1. The Professional Indemnity Scheme (PIS) is operated by the Law Society (LS) and all solicitors are required by law to have indemnity under it to qualify to practice.
2. The insurance companies for PIS comprised of three companies in the HIH Group (HIH), which was based in Australia, have participated to a greater or lesser extent in PIS since 1987.

3. In March 2001, HIH went into provisional liquidation in Australia and its Hong Kong based operations in April 2001.
4. To make a long story short, the result of the said corporate failure meant that there were insufficient funds to pay off claims. Accordingly, the Council of LS decided that the deficiency amounting to HK\$416.8 million will have to be paid for by members of the profession.
5. LS has already made two calls this year on the members amounting to \$132,893,268, and further calls will be made in the future.
6. Very many members of the profession objected to the decision of the Council not only because it was a wrong and very bad decision but because it impacted on each and every practitioner since it was made at a time when the whole of the business world in Hong Kong had nearly come to a halt due to the SARS epidemic and also because of the continued downward spiral of the Kong Hong economy in recent years. The Council's decision meant that in effect all members of the profession are underwriting the solvency of HIH. As you are no doubt aware, members of the profession never thought that one day when HIH failed, they might be financially ruined by the acts of other members through the direct intervention of the Council. All members had entered the profession to practice law only with partners and staff of their choice and no one else.
7. Accordingly, on 26th June 2003, 92 requisitionists requisitioned LS for an EGM to be convened pursuant to Articles 36 of LS's Memorandum and Articles of Association. The requested EGM was to pass a special resolution to revoke the said decision made by the Council authorizing Hong Kong Solicitors Fund Ltd to

collect the shortfall on the Fund account or alternatively for the Council's decision to be declared null and void ab initio.

8. The Council refused to convene an EGM because it considered that the proposed resolutions were ineffective. After further correspondence, LS eventually sent the requisitionists a copy of Mr. Anthony Mann Q. C.'s opinion dated 6th July 2003. A copy is enclosed herewith for your kind attention.
9. The requisitionists have taken note of Mr. Mann's opinion and have followed his opinion stated in paragraph 7. Hence the proposed new amendments.
10. Over 50 members of LS have now requisitioned LS to convene another EGM pursuant to Article 36 for the purpose of amending the Articles of Association. As requested, a list of the requisitionists is enclosed herewith. Please kindly refer to our letter of 18th September 2003 together with enclosure therein mentioned.
11. Needless to say, LS has refused to convene another EGM on the ground that the proposed resolutions are ineffective. I have asked LS to supply another opinion to support its view but despite a reminder, it has not done so. The requisitionists do not agree with the Council's view and should it fail to convene the requested EGM after you have given your approval the matter will inevitably have to be resolved by the High Court. The requisitionists certainly feel that it is not up to you to decide whether the resolutions are effective or not. It is an internal affair of LS.
12. Your comments on the proposed addition of Article 36A as stated in your letter of 29th September 2003 is noted. The requisitionists are aware of Section 113 of the Ordinance but they and many members of the profession have lost faith and confidence in the Council and they would much prefer to have the new Article

incorporated in the Articles rather than to have to resort to the said section especially bearing in mind the Council's attitude stated above.

13. Once your approval is given, the requirements as stated in your said letter will be dealt with and in fact they are at present being seen to.

If you require any further information, please do not hesitate to call me (2213 0222) or Ms. May Tam (2127 7380).

I await hearing from you at your earliest convenience.

Yours faithfully,

Larry Ko