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15 August 2011

Mr Noel Sung  
Clerk to Bills Committee  
Legislative Council  
Hong Kong  
[ Fax No: 2121 0420 ]

Dear Mr Sung,

**Bills Committee**  
**on Securities and Futures (Amendment) Bill 2011 (“the Bill”)**  
**Invitation for submissions**

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You letter dated 25 July 2011 has been passed to the Chairman of the Standing Committee on Company Law Reform (“SCCLR”) and he has asked me to reply on his behalf.

The SCCLR was consulted at a meeting on 24 April 2010 by representatives from the Securities and Futures Commission and the Financial Services and the Treasury Bureau on the substantive proposals which form the basis of the Bill. Members of the SCCLR were generally in favour of the proposals to statutorily oblige listed corporations to disclose price sensitive information in a timely manner. Some members expressed concern that the proposed legislation was geared more towards protecting the investing public rather than the interests of shareholders (such as in a situation where the financial viability of the issuer is in imminent danger and public disclosure would jeopardize the interests of shareholders by undermining the conclusion of negotiations designed to save the company) and suggested that further

consideration be given to the "safe harbours" with a view to balancing the interests of shareholders and the interests of the investing public.

Some members suggested that a business judgment rule be introduced to protect directors from liability for business decisions that turn out badly despite having been taken in an honest, informed and rational way.

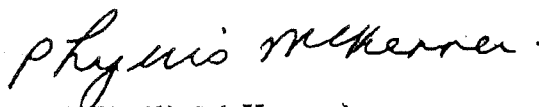
Some members queried whether using the same definition for the disclosure regime and for prohibition of insider dealing would result in excessive information or in the insider dealing rules being undermined, but noted that one benefit of using the concept of "relevant information" was that the Market Misconduct Tribunal had become very familiar with the issue of when information was relevant.

As stated above, however, members were generally supportive of the proposals which form the basis of the Bill.

The SCCLR will not give an oral presentation to the Bills Committee and the reply slip is returned herewith.

I take this opportunity to thank you for consulting the SCCLR on the Bill.

Yours faithfully,



( Ms Phyllis McKenna )

Secretary

Standing Committee on Company Law Reform

c.c. Mr Godfrey LAM Wan-ho, S.C. (Chairman, SCCLR)