

**Subcommittee on
Companies Ordinance (Exemption of Companies and Prospectuses
from Compliance with Provisions) (Amendment) Notice 2011**

**List of follow-up actions arising from the discussion
at the meeting on 29 November 2011**

Members have expressed concern about the proposed thresholds for property valuation and disclosure requirements in prospectuses under the Amendment Notice. While members appreciated that relaxation on the valuation requirements would relieve the burden on companies and enhance Hong Kong's attractiveness as an international listing venue, especially international corporations with diverse business profiles involving non-property activities, they were keen to ensure that the proposals in the Amendment Notice would ensure sufficient protection for investors' interests. To address members' concerns, the Securities and Futures Commission ("SFC") is required to provide written response on the following issues:

- (a) To consider the following suggestions from members:
 - (i) To put in place additional threshold(s) on valuation requirements for companies with non-property activities. A possible option is to require a company to provide a summary report instead of an overview (as proposed in the Amendment Notice) on each individual non-property activities interests if all such interests adding together have a value exceeding 15% of the total asset of the company; and
 - (ii) In respect of companies with property activities interests, for a company which is exempted from the full valuation report requirement in the prospectus, to lower the threshold on the requirement to provide a summary on the full text of the valuation report so that more companies will be required to provide a summary instead of just an overview on such property interests;
- (b) While under the proposals in the Amendment Notice companies are required to provide for public inspection the full text of the valuation report with respect to each summary property activities interests which is not covered by a valuation report set out in the prospectus, members

noted that investors/interested parties have to go to the offices of the companies to inspect such reports. In order to provide convenience to investors, members suggested that SFC should consider requiring companies to make available the full valuation reports through electronic means, such as uploading the documents onto the company's website; and

- (c) To consider measures to enhance wider use of electronic means for dissemination of information on companies to achieve early benefits in lowering the compliance cost on market participants, facilitating investors and enhancing sustainability in the securities market.

Council Business Division 1
Legislative Council Secretariat
1 December 2011