

Responses to the submissions from
(a) the Association of International Accountants
(b) Chinese General Chamber of Commerce
(c) the Stock Exchange of Hong Kong Limited

(a) The Association of International Accountants

We note the general support for the proposals in the Bill.

2. As regards the compliance burden arising from the proposals, most of the prospectus-related proposals are to facilitate offers of shares and debentures of companies incorporated in Hong Kong and overseas through easing the compliance burden and accommodating new offering structures and offering methods. Other prospectus-related proposals for enhancing investor protection, such as extending the application of the prospectus liabilities provisions under the Companies Ordinance (CO), are expected to constitute little or no compliance burden on issuers. Some of the other proposals (i.e. simplifying the filing requirements for overseas companies together with the use of new specified forms by the Companies Registry; enabling electronic incorporation of companies; and repealing the 20-partner limit) will help ease the compliance burden on companies. The rest of the proposals (such as enhancing the disclosure requirements for overseas companies; enhancing shareholder remedies; amending the definition of “subsidiary” for the purposes of group accounts; stating the purposes for which documents kept or maintained by the Companies Registry under the CO are made available for public inspection) are expected to constitute little or no compliance burden on companies in general.

(b) The Chinese General Chamber of Commerce

3. The Chamber has commented on two proposals in the Bill, namely statutory derivative action and the definition of “subsidiary” for the purposes of group accounts.

4. To deter any frivolous statutory derivative action, we have included in the Bill appropriate safeguards. For example, proposed section 168BD provides for the court to strike out a statutory derivative action if it is, among other things, not taken in the best interests of a company or not taken in good faith.

5. As regards the proposal on the definition of “subsidiary”, we do not foresee that the proposal would give rise to any practical difficulties

in the preparation of group accounts in relation to mainland companies.

(c) The Stock Exchange of Hong Kong Limited

6. We note the general support for the proposals relating to shareholder remedies and definition of “subsidiary” for the purposes of group accounts in the Bill.

Financial Services Branch

Financial Services and the Treasury Bureau

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