

Bills Committee on Companies (Amendment) Bill 2003**List of issues requiring follow-up actions by the Administration
(position as at 12 November 2003)****General**

Date of meeting	Issue	Outcome
11 September 2003	To provide information on the up-to-date position of those issues which the Administration had undertaken to further examine in view of the concerns raised by the Bills Committee on Companies (Amendment) Bill 2002	English version of the Administration's response issued vide LC Paper No. CB(1)75/03-04 on 15 October 2003.
30 October 2003	As regards the vagueness of the scope of coverage of the expressions "body corporate" and "corporation" in the existing Companies Ordinance (the Ordinance) when read together with section 103(3)(a)(ii) of the Securities and Futures Ordinance, the Bills Committee and the Administration agreed not to tackle the issue in the context of the Bill, but make a remark at the resumption of the Second Reading debate of the Bill that the Administration would examine the issue in the overall restructuring and rewriting of the Ordinance and/or the impending comprehensive review of the laws and procedures governing public offers of securities as appropriate.	To be reflected in the speech of the Administration at the resumption of the Second Reading debate of the Bill.

Schedule 1 of the BillProposed amendments to section 2(1)

Date of meeting	Issue	Outcome
17 October 2003	To consider whether the word "company" should be used in the new definition of "prospectus" in section 2 of the Ordinance, and in this connection, whether there is a need to modify the existing definition of "company" in the Ordinance	At the meeting on 30 October 2003, the Administration confirmed that the current drafting of the definition of "prospectus" was sufficiently clear in reflecting the intended scope of application of the provision on prospectuses.

Schedule 1 of the Bill (Cont'd)

Proposed new sections 38A and 360(6) - (9)

Date of meeting	Issue	Outcome
2 October 2003	To consider whether the words " <i>as it considers appropriate</i> " should be removed from the proposed section 38A(6) for the purpose of ensuring transparency of the operation the Securities and Futures Commission (SFC)	LC Paper No. CB(1)217/03-04 (02) <i>(issued on 31 October and 4 November 2003)</i>
2 October 2003	To consider the appropriate manner in which the exemptions granted under proposed section 38A would be published to enhance transparency	LC Paper No. CB(1)217/03-04 (02) <i>(issued on 31 October and 4 November 2003)</i>
17 October 2003	To consider whether the exemption and amendment powers of the SFC under new sections 38A(2) and 38A(5) should be put on the same footing as SFC's powers of amendments under new sections 360(6) - (9), and thus should be subject to the same public consultation procedures before the relevant order of exemptions/amendments is published in the Gazette	LC Paper No. CB(1)217/03-04 (02) <i>(issued on 31 October and 4 November 2003)</i> Committee Stage amendments will be introduced by the Administration
17 October 2003	To provide a comparison of the exemption and amendment powers of SFC under proposed sections 38A and 360 and the corresponding checks and balances under the prospectus regulatory regime (with the proposed amendments in the Bill) with the equivalent/corresponding provisions of overseas jurisdictions	LC Paper No. CB(1)84/03-04 (06) <i>(issued on 23 and 28 October 2003)</i> LC Paper No. CB(1)217/03-04 (02) <i>(issued on 31 October and 4 November 2003)</i>

Schedule 1 of the Bill (Cont'd)

Proposed new sections 38AA and 342AB

Date of meeting	Issue	Outcome
17 October 2003	<p>To review proposed new sections 38AA and 342AB in view of the following concerns of the Bills Committee -</p> <ul style="list-style-type: none"><li data-bbox="440 524 1101 672">(i) whether there is any overlap between these proposed new sections and the existing section 41(2) and if so, the appropriate manner to deal with the overlap;<li data-bbox="440 689 1101 913">(ii) how the proposed sections are compared with those of other jurisdictions; and if the practices/approaches adopted by other jurisdictions are found to be different, why an approach similar to that of Singapore is adopted;<li data-bbox="440 931 1101 1124">(iii) whether the current drafting of new sections 38AA(4) and 342AB(4) is appropriate, particularly in regard to the intended scope of persons to be regulated under the new provisions; and<li data-bbox="440 1142 1101 1438">(iv) whether the current drafting of new sections 38AA(1) and 342AB(1) is sufficient to achieve the intended regulatory objective if under the current drafting of the provisions, a sale or offer for sale of shares in or debentures of a company made without any documentation is not subject to these sections.	<p>LC Paper No. CB(1)292/03-04 (02) <i>(issued on 10 and 12 November 2003)</i></p> <p>Committee Stage amendments will be introduced by the Administration to take out proposed sections 38AA and 342AB from the Bill.</p>

Schedule 1 of the Bill (Cont'd)

Proposed deletion of sections 38D(3)(b)(i) and (ii) and 342C(3)(b)(i) and (ii) and proposed addition of sections 38D(3A) and 342C(3A)

Date of meeting	Issue	Outcome
17 October 2003	<p>To review the above proposed amendments in view of the following concerns of the Bills Committee -</p> <ul style="list-style-type: none"><li data-bbox="432 555 1110 936">(i) whether the duration of the inspection period (i.e. not less than 14 days from the date of publication of the prospectus) and the new arrangement that the documents will be available for inspection only at the company's registered office in Hong Kong, instead of at the Companies Registry (CR) as the case at present, can achieve the policy objective of enhancing information disclosure for better investor protection;<li data-bbox="432 958 1110 1104">(ii) whether the scope of information available for public inspection is appropriate and whether there are sufficient safeguards for personal data privacy;<li data-bbox="432 1126 1110 1272">(iii) whether under the proposed new arrangement, the company concerned can impose a charge on a request for inspection of the documents concerned;<li data-bbox="432 1294 1110 1552">(iv) whether under the proposed new arrangement, members of the public are allowed to obtain copies of the documents concerned, and if so, whether there is a need to specify in the legislation how the company concerned should charge such copies; and<li data-bbox="432 1574 1110 1989">(v) whether CR can maintain records of the prospectus issued together with the material contracts stated in the prospectus etc. for public inspection throughout the whole life of the financial product concerned; if the answer to this question is in the affirmative, what public inspection arrangements the Administration would propose to ensure that the services are user-friendly and provided at reasonable charges, and will not have undue resource implications on CR.	Pending the result of consultation with the trade by the Administration

Schedule 1 of the Bill (*Cont'd*)

Proposed amendments to the Third Schedule

Date of meeting	Issue	Outcome
30 October 2003	To contact the Hong Kong Institute of Company Secretaries to see if the Institute is satisfied that the work being done by SFC and the Stock Exchange of Hong Kong to promote the use of plain language in prospectuses is adequate.	Reply awaited

Proposed new Seventeenth Schedule

Date of meeting	Issue	Outcome
30 October 2003	To provide further information on the following - (i) whether the market has been consulted on the scope of "qualifying person", and if so, what the views of the market are; (ii) the equivalent/corresponding provisions in the United States; and (iii) regulatory experience in overseas jurisdictions, including the regulatory problems encountered in administering similar exemptions.	LC Paper No. CB(1)292/03-04 (03) <i>(issued on 10 and 12 November 2003)</i>

Schedule 4 of the Bill

Proposed new section 152FA

Date of meeting	Issue	Outcome
2 October 2003	To consider whether provisions should be added to make it clear that the requirement to disclose information or documents according to an order for inspection made by the court under the proposed section 152FA should override any contractual agreement on non-disclosure, and to exempt the specified corporation concerned from the contractual or common law liabilities arising from the disclosure	Reply awaited