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18 October 2011

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Legislative Council  
Hong Kong Special Administrative Region of the People's  
Republic of China,  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong.

Attention: Clerk to Bills Committee  
Dear Sirs,

Disclosure of inside information  
by Listed Companies  
Securities and Futures (Amendments) Bill 2011 ("the Bill")

1. The Institute of Accountants in Management ("Institute") is a group of professional accountants who are members of various leading professional accounting bodies and who are working in commercial firms, listed and unlisted, and universities. The Institute is a professional society and not a political party. For information about the Institute, please visit our website [www.iam.org.hk.com](http://www.iam.org.hk.com). We are pleased to be invited to give comments on the Bill.

2 With reference to the Bill, we, in general, support the idea of prompt disclosure of price sensitive information by listed companies. This requirement will provide a better listing environment in Hong Kong. At the same time, we are aware of the serious consequence of breach of the disclosure requirements.

3. Price sensitive information is defined in section 307A of the Bill.

4. In Hong Kong, we have over 1,000 listed companies of various sizes. On the one hand, the well established listed companies with sufficient resources and experience will have no or little difficulties to comply with the requirements. On the other hand, the small and medium listed companies may not have sufficient resources to comply with the requirements and would thus be in breach of the proposed requirements.

5. We are of the view that in order to provide sufficient guidelines to the directors of the listed companies, the administration should provide in-depth guidelines with sufficient examples and past cases for the directors to follow. In the absence of such examples and past cases, the directors of listed companies cannot be sure whether or not disclosure is necessary. Or whether disclosure can be waived and needed not be disclosed. These guidelines should also be the basis of education of the directors of the listed companies.

6. We believe that the proposed legislature is not meant for creation of traps for the directors of the listed companies to fall into. Nor should administration aim at creation of more and more cases for prosecution. Therefore, it is necessary for administration to provide more practical examples and past cases for the directors to follow. Otherwise, more cases of technical breach or more marginal cases will be dealt with in courts.

7. We see that with more and more but unnecessary prosecution cases to be brought to the public, which is owing to insufficient guidelines, examples and past cases

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provided to directors of listed companies and their professional advisors, will damage Hong Kong as a financial centre, since investors, foreign or otherwise, will feel that Hong Kong is not a good place to invest with listed companies. They will direct the listing arrangement to other cities.

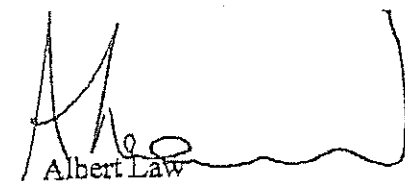
8. The meaning of officers should be restricted to the Board of Directors (and should exclude independent non-executive directors) because only the Board of Directors are aware of the price sensitive information. Perhaps the Administration should provide answers to enquiries from directors as to what would constitute price sensitive information.

9. The question of whether company's officers are in a position to know whether a given piece of information is "inside" information and in particular whether it is price sensitive is difficult to define and or to judge. The relevant clause in the proposed bill put undue burden to company officers and in this regard it must give due recognition to commercial reality.

10. The other concern is the level of penalty to be imposed as proposed by the Bill. Could the penalty level be reduced as the proposed level is too high for the marginal cases or cases of technical breach?

Yours faithfully,

For and on behalf of  
Institute of Accountants in Management

  
Albert Law  
President