



Great Eagle
Holdings Limited

鷹君集團有限公司

(Incorporated in Bermuda with limited liability)



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The Securities and Futures Commission
8/F., Chater House
8 Connaught Road Central
Hong Kong
Attn: Corporate Finance Division

Dear Sirs,

**Re: Response to Consultation Paper on the Draft Guidelines on Disclosure of
Inside Information**

We refer to the Consultation Paper (“Consultation Paper”) on the Draft Guidelines on Disclosure of Inside Information (“PSI”) published by the Securities and Futures Commission on 29 March 2010.

We welcome the effort of the SFC to prepare the Guidelines to illustrate the operation of the statutory provisions which will be incorporated into the Securities and Futures Ordinance (“SFO”), regarding the proposed requirements to disclose PSI by listed corporations. We are pleased to submit our comments to the Consultation Paper as follows:

1. Exception to preserve confidentiality of PSI

As stated in section 101D(2), a company is allowed to disclose the information to any person who requires the information to perform the person’s functions in relation to the company if he is under a duty to the corporation not to disclose the information to any other person. We consider that it is an important exception of information leakage and deserves further elaborations in the Guidelines. To borrow the idea adopted in the Disclosure Rules and Transparency Rules in the UK, disclosure of information to the following categories of recipient (in addition to the employees of the issuer) shall be allowed in that those recipients would require the information to perform their functions:



- (a) the issuer's advisers and advisers of any other persons involved in the matter in question;
- (b) persons with whom the issuer is negotiating, or intends to negotiate, any commercial financial or investment transaction (including prospective underwriters or places of the financial instruments of the corporation);
- (c) any government department or any other statutory or regulatory body or authority;
- (d) major shareholders of the corporation;
- (e) the corporation's lenders;
- (f) credit-rating agencies and
- (g) auditors.

2. The interpretation of "As soon as practicable" as "immediate" creates more confusion than clarification

In paragraph 32 of the Guidelines, it is stated that "where the corporation believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, it should immediately disclose the information to the public". The SFC has also suggested listed corporations should prepare a draft announcement to be kept updated ready for publication immediately. With due respect, we consider that the suggested arrangement is either too cumbersome or too idealistic to be implemented in practice.

The Guidelines seek to provide guidance to assist listed corporations to comply with their obligations to disclose PSI under the statutory disclosure requirements but not to set out the highest standard of practice. The interpretation of "as soon as practicable" as "immediate" by the SFC is onerous. In the profit warning kind of disclosure, it is difficult to identify a point of time when disclosure is required because no leakage is involved. It is therefore suggested that this particular guideline should be taken out since it creates more confusion than clarification.

3. Various paragraphs are referring to financial information. In order to avoid confusion, they shall be consolidated as far as possible

The treatments of financial information are mentioned in paragraphs 26-28 under "Management Accounts" and paragraphs 72 and 73 under "In the course of preparing periodic and other structured disclosures". However, interpretations are provided from different perspectives. In order to avoid confusion, we suggest that the treatment of the regular periodic financial reports shall be grouped under paragraphs 26-28.



4. Examples of possible inside information provided in the Guidelines should be further clarified and elaborated

In paragraph 29, common examples events and circumstances where a corporation should consider whether a disclosure obligation arises are provided. Many of them are covered by Chapters 14 and 14A of the Listing Rules under Notifiable Transactions and Connected Transactions. In view of this, a breach of these two Chapters of the Listing Rules might imply a breach of the PSI disclosure requirement under the SFO. In other words, certain obligations of the listed issuers under these two Chapters would seem to be indirectly codified. We suggest that the SFC shall address this issue and provide more detail explanation to the market.

Moreover, the examples given in the Guidelines are extremely broad and far-reaching, encompassing almost all imaginable corporate actions and events without much elaboration on how such actions or events might or might not constitute “inside information” under different circumstances. For the Guidelines to be truly meaningful, more detailed elaboration and explanation would be desirable.

5. FAQ shall be issued from time to time

As and when the statutory codification of certain requirements to disclose price sensitive information comes into operation, the SFC shall expect to answer significant number of enquiries from various sectors of the market. To increase transparency of how SFC interprets and enforces the new PSI requirements, SFC should, in addition to the Guidelines, issue FAQ from time to time to keep the market informed.

We hope that the above comments can assist the SFC to refine the Guidelines to make it more helpful to the listed corporations. Meanwhile, if you require any clarifications on our comments, please do not hesitate to contact us. Thank you for your kind attention.

Yours faithfully,
For and on behalf of
GREAT EAGLE HOLDINGS LIMITED

Dr. K.S. Lo
Chairman and Managing Director