

## Press release

### LCQ3: Equity dispute relating to listed companies

Wednesday, March 2, 2011

Following is a question by the Hon Chim Pui-chung and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 2):

Question:

Regarding the equity dispute of the holding company held by the family of the chairman of Sociedade de Jogos de Macau S.A. (SJM), which is a company listed in Hong Kong, will the Government inform this Council:

(a) given that SJM's market value amounts to approximately HK\$70 billion while that of Shun Tak Holdings Limited also exceeds HK\$10 billion, whether it knows if the regulatory authorities will assess whether the outcome of the aforesaid dispute will affect investors' confidence, and whether it is necessary to suspend trading in the stocks of the two companies; if the assessment outcome is in the negative, of the reasons for that;

(b) given that the aforesaid incident involves the chairman of listed companies although the shares involved in the dispute are private property, whether it knows if the authorities concerned will assess whether the aforesaid incident will seriously affect Hong Kong's status as a financial centre; if the assessment outcome is in the affirmative, what appropriate measures the authorities concerned have in response; and

(c) given that there is the requirement in law for chairmen and directors of listed companies to be "fit and proper persons", whether it knows if the authorities concerned have assessed whether the recent behaviour of the chairman of the aforesaid listed companies has reflected that he still meets such a requirement?

Reply:

President,

My reply to the three parts of the question is as follows:

(a) and (b) The Stock Exchange of Hong Kong Limited (SEHK) and the Securities and Futures Commission (SFC) have been monitoring the development of the Sociedade de Jogos de Macau S.A. (SJM) case. Generally, unless there are unusual circumstances surrounding the particular listed companies and there appears to be a false market in their shares, the SEHK and the SFC consider it more appropriate to allow the trading in their shares to continue.

Trading in the shares of SJM on the SEHK was suspended on January 24, 2011 and January 25, 2011 respectively at the request of SJM. The trading resumed in the afternoon of January 24 and on January 26 respectively after SJM had made announcements. According to the announcements, Dr Ho was seeking a means to resolve the dispute over the arrangements with regard to Lanceford. On February 2, SJM made an announcement through the SEHK website again, saying that the change in Lanceford's shareholding structure among Dr Ho and his family members had no significant effect on the overall ownership of the company and that there would be no material change in management or strategic direction of the company. After a new writ regarding Lanceford's shareholding arrangement had been issued by Dr Ho in Hong Kong's High Court, SJM also made an announcement through the SEHK website on February 17, reiterating that the change in Lanceford's shareholding structure amongst Dr Ho and his family members had no significant effect on the overall ownership of the company and that there would be no material change in management or strategic direction of the company.

(c) The Listing Rules administered by the SEHK does not draw distinction between the chairman and other directors of a listed company as far as the requirements on personal qualities are concerned. As a member of the board of directors, the Chairman, like any other directors, shall comply with the requirements set out in the Listing Rules.

Rules 3.08 and 3.09 of the Listing Rules state that the board of directors of a listed company is collectively responsible for the management and operations of the listed company. The SEHK expects the directors, both collectively and individually, to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director, -

- (a) act honestly and in good faith in the interests of the company as a whole;
- (b) act for proper purpose;
- (c) be answerable to the listed issuer for the application or misapplication of its assets;
- (d) avoid actual and potential conflicts of interest and duty;
- (e) disclose fully and fairly his interests in contracts with the listed issuer; and
- (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the listed issuer.

Every director of a listed company must satisfy the SEHK that he has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer. The SEHK may request further information regarding the background, experience, other business interests or character of any director or proposed director of a listed issuer.

If the SEHK finds that a person is not suitable to be appointed as or remain a director of a listed company after careful consideration of the information, it may request the listed company to take remedial action, such as calling general meeting for removal of the director, in order to comply with the requirements of the Listing Rules. In the case of wilful or persistent failure by a director of a listed company to discharge his responsibilities under the Listing Rules, the SEHK may initiate disciplinary procedures, stating publicly that the retention of office by the director is prejudicial to the interests of investors, or even suspending or cancelling the listing of the issuer's securities.

On the issue of whether the chairman of SJM has been assessed to see if he meets the requirements in relation to directors, the SEHK will not comment on individual cases. The SEHK will continue to monitor the development of the SJM case.

Ends