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A. Introduction

This book explains the requirements (“**Disclosure Requirements**”) relating to the disclosure of interests in the securities of Hong Kong listed companies under Part XV of the Securities and Futures Ordinance (“**SFO**”), which came into effect on 1 April 2003.

The law is stated as at 1 March 2004.

1. History of the Disclosure Requirements

Part XV of the SFO is a greatly expanded version of its predecessor, the Securities (Disclosure of Interests) Ordinance (“**SDIO**”). The SDIO came into effect, after a long gestation, in 1991. It was closely based on Part VI of the UK Companies Act 1985, with little attempt to improve its defects or clarify its uncertainties. The UK legislation itself had a history going back to the Companies Act 1967, when the first real attempt was made to obtain meaningful disclosure of insiders’ interests in public companies.

The main purposes of the SDIO were:

- to inform the market and its regulators of the people who had substantial interests in a listed company’s voting shares and to track changes to those interests;
- to inform the market and its regulators of all interests of listed companies’ directors and chief executives in those companies’, and their associated companies’, shares and debentures, and to track all changes to those interests; and
- to give listed companies and the authorities powers to investigate who had interests in a listed company’s securities.

During the 1990s, various weaknesses in the SDIO were identified, and consultation began with a view to making changes such as reducing the substantial shareholder disclosure threshold from 10% of a company’s voting shares and reducing the time for making disclosure from 5 business days.

During the market turmoil of 1998, the Hang Seng Index fell catastrophically over a few days, driven down, so many (including the Hong Kong Government) believed, by concerted efforts of international banks which had the ultimate aim of breaking the Hong Kong dollar’s peg to the US dollar. While this was averted by dramatic intervention by the Hong Kong Government, it left deep scars and an already mooted expansion of the disclosure regime, for instance so as to require disclosure of positions through derivatives and of major short positions, gathered momentum.