

Interpretation and General Clauses Ordinance

Resolution

(Under section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1))

Companies (Directors' Report) Regulation

Resolved that the Companies (Directors' Report) Regulation, published in the Gazette as Legal Notice No. 10 of 2013 and laid on the table of the Legislative Council on 6 February 2013, be amended as set out in the Schedule.

Schedule

Amendments to Companies (Directors' Report) Regulation

1. **Section 2 amended (interpretation)**
 - (1) Section 2, English text, definition of *reporting exemption*—
Repeal the full stop
Substitute a semicolon.
 - (2) Section 2—
Add in alphabetical order
“*parent company* (母公司) means a parent undertaking that is a company;
specified undertaking (指明企業), in relation to a company, means—
 - (a) a parent company of the company;
 - (b) a subsidiary undertaking of the company; or
 - (c) a subsidiary undertaking of the company's parent company.”.
2. **Section 3 amended (directors' interest)**
 - (1) Section 3(1)—
Repeal paragraph (a)
Substitute
“(a) to which the company or a specified undertaking of the company is a party; and”.
 - (2) Section 3(1)(b), after “shares in”—

Add

“, or debentures of,”.

- (3) Section 3(2)—

Repeal paragraph (a)**Substitute**

“(a) to which the company or a specified undertaking of the company was a party; and”.

- (4) Section 3(2)(b), after “shares in”—

Add

“, or debentures of,”.

- (5) Section 3(3)(b), after “shares”—

Add

“or debentures”.

- (6) After section 3(3)—

Add

“(3A) Subsections (1) and (2) do not apply in respect of a company that falls within the reporting exemption for the financial year.”.

3. Section 5A added

After section 5—

Add**“5A. Debentures issued**

If, in any financial year of a company, the company has issued any debentures, a directors’ report for the financial year must state—

- (a) the reason for making the issue;

- (b) the classes of debentures issued; and

- (c) for each class of debentures, the amount issued and the consideration received by the company for the issue.”.

4. Section 7 amended (recommended dividend)

Section 7, Chinese text—

Repeal

“述明該”

Substitute

“述明”.

5. Section 8 substituted

Section 8—

Repeal the section**Substitute****“8. Reasons for resignation, etc.**

- (1) This section applies if—

- (a) a director of a company has in a financial year resigned from the office or refused to stand for re-election to the office; and

- (b) the company has received a notice in writing from the director specifying that the resignation or refusal is due to reasons relating to the affairs of the company (whether or not other reasons are specified).

- (2) A directors’ report for the financial year must contain a summary of the reasons relating to the affairs of the company.

- (3) This section does not apply in respect of a company that falls within the reporting exemption for the financial year.”.

6. Section 9 amended (permitted indemnity provision)

- (1) Section 9(1), Chinese text—

Repeal

“由該公司訂立或其他人”

Substitute

“否由該公司”.

- (2) Section 9(2), Chinese text—

Repeal

“由該公司訂立或其他人”

Substitute

“否由該公司”.

7. Section 10 added

After section 9—

Add

“10. Material interests in transaction, arrangement or contract

- (1) A directors’ report for a financial year of a company must state the particulars of any transaction, arrangement or contract—
- (a) entered into by a specified undertaking of the company; and
 - (b) in which a person who at any time in the financial year of the company was a director of the company had, directly or indirectly, a material interest.

- (2) The particulars referred to in subsection (1) are—

- (a) the principal terms of the transaction, arrangement or contract;
- (b) the fact that the transaction, arrangement or contract was entered into or subsisted in the financial year;
- (c) the names of the parties to the transaction, arrangement or contract;
- (d) the name of the director having the material interest and the nature of that interest; and
- (e) (if the director is treated as having the material interest by virtue of subsection (3)) the name of the director’s connected entity and the nature of the connection.

- (3) For the purposes of this section, a director of a public company is treated as having a material interest in a transaction, arrangement or contract entered into by a specified undertaking of the company if a connected entity of that director has a material interest in that transaction, arrangement or contract.

- (4) In this section, a reference to a transaction, arrangement or contract is a reference to a transaction, arrangement or contract that is significant in relation to the company’s business.

- (5) For the purposes of subsection (4), a transaction, arrangement or contract is not significant in relation to the company’s business if, after consideration, the directors of the company are of the opinion that it is not significant in relation to the company’s business.

- (6) For the purposes of this section, an interest that a director of a company has in a transaction, arrangement

or contract is not material if, after consideration, the directors of the company are of the opinion that it is not material.

- (7) This section does not apply in respect of—
- (a) a company that falls within the reporting exemption for the financial year;
 - (b) a transaction, arrangement or contract unless it was entered into in the financial year or subsisted at any time in that year;
 - (c) a transaction, arrangement or contract between the company and its specified undertaking in which a director of the company has a material interest; or
 - (d) a director's contract of service.
- (8) In this section—
- (a) a reference to a director includes a shadow director; and
 - (b) a reference to a connected entity, in relation to a director, is a reference to an entity connected with the director within the meaning of section 486 of the Ordinance.”.