

**For information
on 6 March 2013**

**Sub-committee on Subsidiary Legislation Made
under the New Companies Ordinance**

Response to Submission from the Hong Kong Institute of Directors

Purpose

The Administration notes the submission from the Hong Kong Institute of Directors (“HKIoD”) dated 26 February 2013 on the subsidiary legislation made under the new Companies Ordinance (“CO”), in which HKIoD raises no objection to the majority of the provisions contained in the relevant subsidiary legislation. This paper sets out the Administration’s response to some of the specific views raised by HKIoD.

Companies (Words and Expressions in Company Names) Order

2. As explained in the Legislative Council Brief for the five pieces of subsidiary legislation, we have reviewed the list of words and expressions which require approval for usage in company names. Among others, “mass transit”, “underground railway” and “municipal” have been removed as they are considered no longer necessary in consultation with the relevant bureaux and departments.

Companies (Directors’ Report) Regulation

3. We note HKIoD’s support for retaining the existing disclosure requirement concerning any arrangement whose object is to enable a director of the company to acquire benefits by means of acquisition of debentures. We propose to fully reinstate the existing requirements in this respect as prescribed in section 129D(3)(k) of the existing CO by amending section 3 of the Regulation. Please refer to LC Paper No. CB(1)667/12-13(03) for details.

4. Regarding dividend, under the existing CO, a director’s report must state the amount of recommended dividend in a directors’ report and

no exemption is given to companies which prepare simplified financial reports. As the information is considered useful for members and creditors, it is proposed in the current Regulation that the approach under the existing CO be retained. We do not propose any amendment to the Regulation in this regard.

Companies (Summary Financial Reports) Regulation

5. Both the default position for receiving summary financial report in hard copy form and the scope of potential members are prescribed in the primary legislation. The Regulation merely follows the relevant new CO provisions in these two respects and we do not propose any amendment. We wish to point out that section 442(1) of the new CO has only provided a company with discretionary power, rather than an obligation, to seek the intent of potential members in respect of the receipt of summary financial report.

6. As regards the suggestion of excluding information contained in the notes to financial statements in the summary financial report, this is also the position in the Regulation except for those concerning benefits of directors. The inclusion of such information in the notes to financial statements in the summary financial report follows the current approach under the existing Companies (Summary Financial Reports of Listed Companies) Regulation (Cap.32M). Given that the information is considered useful for members, we do not propose any change to the Regulation in this regard.

Advice Sought

7. Members are invited to note the contents of this paper.

Financial Services and the Treasury Bureau
Companies Registry
4 March 2013