

(I) Some Notable Measures to Enhance Corporate Governance

(a) Enhancing accountability of directors

- Restricting the appointment of corporate directors by requiring every private company to have at least one individual acting as director, so as to enhance transparency and accountability.
- Clarifying in the statute directors' duty of care, skill and diligence with a view to providing clear guidance to directors.

(b) Enhancing shareholder engagement in decision-making process

- Requiring companies to bear expenses of circulating members' statements and proposed resolutions for Annual General Meetings (AGMs), if they are received in time for sending with the notice of the meeting.
- Reducing the threshold for members to demand a poll from 10% to 5% of the total voting rights.

(c) Improving disclosure of company information

- Requiring public and large private companies and guarantee companies to prepare a more comprehensive directors' report which includes an analytical and forward-looking "business review", whilst allowing private companies to opt out by special resolution.

(d) Fostering shareholder protection

- Requiring approval by disinterested shareholders where shareholders' approval is required for connected

transactions of directors of public companies and their subsidiaries.

- Retaining “headcount test” for approving a scheme of compromise or arrangement, while giving the court a new discretion to dispense with the test for members’ schemes in appropriate circumstances.

(e) Strengthening auditors’ rights

- Power to require a wider range of persons (e.g. officers of a company’s Hong Kong subsidiary) to provide information and explanation reasonably required in auditors’ performance of duties.

(II) Some Notable Measures to Ensure Better Regulation

(a) Ensuring accuracy of information on the public register

- Clarifying and enhancing the Registrar of Companies (the Registrar)’s powers regarding keeping of the register, such as rectifying typos or clerical errors, and requiring a company to resolve any inconsistency or to provide updated information.

(b) Improving the registration of charges scheme

- Requiring a certified copy of the charge instrument to be registrable and available for public inspection to enhance transparency.

(c) Enhancing regulation of voluntary deregistration of companies

- Imposing additional conditions for voluntary deregistration of defunct companies, namely that the applicant must confirm that the company is not a party to any legal proceedings and that it has no immovable property in Hong Kong, so as to minimise any potential abuse of the

procedure.

(d) Strengthening the enforcement regime

- Providing new powers for the Registrar to obtain documents or information for ascertaining whether any conduct, that would constitute certain offences relating to giving false or misleading statement, has taken place.
- Lowering the threshold for contravention by officers of a company to cover reckless acts/omissions and negligent omissions through a new definition of “responsible person”.
- Empowering the Registrar to compound specified offences so as to optimise the use of judicial resources.

(III) Some Notable Measures for Business Facilitation

(a) Streamlining procedures

- Allowing companies to dispense with AGMs by unanimous shareholders’ consent.
- Introducing an alternative court-free procedure for reduction of capital based on a solvency test.
- Introducing a new court-free statutory amalgamation procedure for wholly-owned intra-group companies.
- Introducing a new procedure of “administrative restoration” of a dissolved company by the Registrar in straightforward cases without the need to recourse to the court.

(b) Facilitating simplified reporting particularly by Small and Medium Enterprises (SMEs)

- Facilitating SMEs to prepare simplified financial and directors' reports.
- Making the summary financial report provisions more user-friendly and extending their application to all companies (instead of confining to listed companies in the current Companies Ordinance).

(c) Facilitating business operation

- Permitting a general meeting to be held at more than one location by using audio-visual technology.
- Setting out the rules governing communications to and by companies in electronic form.

(IV) Some Notable Measures to Modernise the Law

(a) Retiring the concept of par value

- Adopting a mandatory system of no-par for all companies with a share capital as par value is an antiquated concept and gives rise to practical problems, such as inhibiting raising of new capital and unnecessarily complicating the accounting regime.

(b) Better protection of personal data

- Introducing new provisions for withholding from public inspection of directors' residential addresses and full identity card/passport numbers in the public register.

Ends