

## **Press release**

### **Government launches second phase consultation on draft Companies Bill**

Friday, May 7, 2010

The second phase public consultation on the draft provisions of the Companies Bill (CB) was launched by the Financial Services and the Treasury Bureau today (May 7).

The three-month consultation is part of the Companies Ordinance rewrite exercise, which aims to make the ordinance more user-friendly and facilitate the conduct of business to enhance Hong Kong's competitiveness and attractiveness as a major international business and financial centre.

The first phase public consultation, which concluded on March 16, covered about half of the CB, mainly dealing with corporate governance matters. This second phase consultation covers the other half or 11 parts of the CB, dealing with business facilitation and more technical issues such as share capital as well as accounting and auditing provisions.

The key proposed legislative changes in this second phase consultation include:

- (a) improving disclosure of company information by requiring public companies and larger private companies to furnish a more analytical and forward-looking business review as part of the directors' report;
- (b) strengthening auditors' rights to obtain information for performing their duties;
- (c) streamlining and updating the regime of registration of charges; and
- (d) allowing more private companies and small guarantee companies to take advantage of simplified accounting and reporting requirements so as to save their compliance and business costs.

Besides seeking views on the draft legislative changes, the consultation

paper also highlights several issues for consultation. These include:

- (a) revisiting the option of abolishing the rules governing the giving of financial assistance by private companies for the purpose of acquiring its own shares;
- (b) proposing to drop the proposal to require preparation of a directors' remuneration report in addition to the annual accounts;
- (c) proposing some minor changes to the provisions concerning the Financial Secretary's powers to investigate or enquire into a company's affairs, as well as new provisions empowering the Registrar of Companies to obtain documents, records and information in certain circumstances; and
- (d) whether a company should be required to give reasons explaining its refusal to register a transfer of shares.

The Financial Services and the Treasury Bureau looks forward to receiving comments from all interested parties and stakeholders, and will further refine the draft CB in the light of comments received with the aim of introducing the CB into the Legislative Council by the end of 2010.

Since the start of the Companies Ordinance rewrite exercise in mid-2006, three rounds of topical public consultations have been conducted to seek views on some complex subjects. The views gathered in those consultations, together with the recommendations of the Standing Committee on Company Law Reform and the advisory groups, have been incorporated into the draft CB.

The consultation document on this second phase consultation is available from ([www.fstb.gov.hk/fsb/co\\_rewrite](http://www.fstb.gov.hk/fsb/co_rewrite)). Comments and submissions may be sent by mail to the Companies Bill Team, Financial Services and the Treasury Bureau, 15/F, Queensway Government Offices, 66 Queensway, Hong Kong, or by fax to (852) 2869 4195, or by email to [co\\_rewrite@fstb.gov.hk](mailto:co_rewrite@fstb.gov.hk) on or before August 6, 2010.