

## **Press release**

### **LegCo passes Companies (Amendment) Bill 2010**

Wednesday, July 7, 2010

The Secretary for Financial Services and the Treasury, Professor K C Chan, welcomed the passage of the Companies (Amendment) Bill 2010 by the Legislative Council today (July 7).

With the passage of the Bill, applicants for company registration may file their registration forms and company documents through electronic means upon the implementation of Phase II of the Integrated Companies Registry Information System (ICRIS II). This will enhance business friendliness in Hong Kong.

Speaking at the resumption of the second reading debate of the Bill at the Legislative Council today, Professor Chan said: "The Bill mainly aims to tie in with the development of ICRIS II by the Companies Registry, which will enable on-line applications for company registration and filing of company documents.

"We expect the new system to come on stream in phases early next year. We have to amend the Companies Ordinance accordingly to facilitate on-line applications for company registration, for example, to allow the signing of the incorporation forms using passwords, streamline the attestation requirements for signatures by founder members, and facilitate the issue of certificates of incorporation by the Registrar of Companies through electronic means,"he added.

"The Bill also expedites the company name approval process by the Companies Registry. In short, a company name will be accepted for registration instantaneously if it satisfies certain preliminary requirements, namely, that it is not identical to another name on the register and does not contain certain specified words or expressions. Thereafter, if the company's name is found to be objectionable, the Registrar of Companies will be empowered to direct the company in question to change its name within a

period specified by the Registrar," Professor Chan said.

The Business Registration (Amendment) Bill 2010 was also passed by the Legislative Council today. The amendments will enable the Companies Registry (CR) to provide a one-stop company and business registration service upon the implementation of ICRIS II. Any person who submits an application for company registration will be deemed to have applied for business registration at the same time.

"With the above service in place, an on-line application for registration of a local company and business registration will be completed within one day, compared with an average of four working days under the existing system. This improvement not only facilitates business, but also puts Hong Kong on a par with comparable jurisdictions like the UK and Singapore," Professor Chan said.

To address the concern about verification of the identities of applicants in electronic company registration, the CR will put in place a registration system to require any person using the ICRIS to register as a user before he/she can perform electronic company registration and documents delivery. Under the registration system, individual users can register in person at the CR's office; or register on-line using digital certificates issued by Hongkong Post or any recognised Certification Authorities; or register on-line provided that the identity of the applicant is duly certified by a local professional.

Other amendments by the Companies (Amendment) Bill 2010 include -

\* to strengthen Hong Kong's company name registration system to enhance enforcement against possible abuses by "shadow companies", which are companies incorporated in Hong Kong with names very similar to existing and established trademarks or trade names and often pose as representatives of the owners of such trademarks or trade names to produce counterfeit products. The Bill empowers the Registrar of Companies to act pursuant to court orders to direct a "shadow company" to change its name. The Registrar may substitute the company's name with its registration number if it fails to comply with the Registrar's direction to change its name. The intellectual property sector in general endorses the amendments and considers that the amendments can effectively resolve the problem of "shadow companies";

\* to amend the Companies Ordinance (CO) so that Hong Kong companies can make use of electronic means (including the companies' websites) to communicate with their shareholders;

\* to amend the relevant provisions of statutory derivative action (SDA) by expanding the scope of SDA to cover "multiple" derivative actions. Upon the effectiveness of the Bill, a member of a related company of a specified corporation can commence or intervene in proceedings on behalf of the corporation. This amendment will further enhance the protection of the interests of minority shareholders in a group of companies; and

\* to introduce technical amendments to the CO to remove the limitations arising from provisions in the CO that compel the use of paper documents of title and paper instruments of transfer in relation to shares and debentures. This technical amendment is an important step in the legislative process to promote the development of a scripless market, and lays the foundation for the implementation of a scripless market in Hong Kong.