

## [SAMPLE] Legal update to boards (Q1 2021)

### Executive summary

#### *Top Stories:*

#### **Directors' duties and general enforcement trends**

- (Mar) **Notable case** (“*profit guarantee*” in acquisitions)
  - **Profit guarantee** under the company’s acquisition; target failed to achieve the profit amount under agreed terms; **former chairman** (and executive director) signed various confirmation letters with the seller, **agreeing to (i) defer, (ii) finally to forfeit such payment** (around HK\$30.1m)
  - 2 former directors found to be in breach of directors’ duties (approving a confirmation letter without sufficient enquiry; failure to monitor the profit guarantee generally)

#### **Competition law: first case against “facilitators” of cartels**

- (Feb) **The Competition Commission issued infringement notices** to seven entities, including six hotel groups and a tour counter operator
  - for **facilitating a cartel arrangement** between two competing travel service providers, to fix and/or control prices of tourist attractions/ transportation tickets sold at certain hotels

#### *Other themes*

#### **Corporate Governance**

- (Jan) HKEX published its **report** on its review of issuers’ **annual reports for financial year ended between Jan to Dec 2019**
  - **Disclosure of Covid-19 impact**, in “**business review and MD&A**”
  - “**Annual review of continuing connected transactions**”

#### **Development of an uncertificated securities market in HK**

- **The Securities and Futures and Companies Legislation (Amendment) Bill 2021** was gazetted, towards the development of an uncertificated securities market in HK