Dear Clients/ associates Update: 15 January 2016

Update of the new Companies Ordinance (S622, the New CO”)

After the New CO was implemented on March 2014, it is now in full force. Our firm wants to provide the update to you, so that you, as a **director and key management** of the company, can be aware of the new requirements and to help you carry out your responsibilities more efficiently.

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| Content | Implication to director | Notes | Section Number of New CO |
| 1. First Accounting Financial Year   Previously there was no regulation to govern first accounting period for newly set up company. Now the first financial year is same as “accounting reference period”. | The accounting reference date can be shortened / lengthened. Also the director should observe the new requirements and beware of the penalty for violation. | 1 | s. 367 to s371 |
| 1. Private company must lay Financial statement before the annual general meeting (AGM)   Private company is required to hold the AGM within 9 months after the end of the “accounting reference period”. | The director is responsible to prepare financial statements for each financial year, which must be audited. | 1,2,3 | S 379, S429 to s431 |
| 1. Filing of Annual Return (AR)   Newly require public company/ company limited by guarantee to file AR in respect of each financial year. | There is no change in requirement for private company to file AR. Also AR is not required to file in each calendar year. | 4 | s. 367 to s371 |
| 1. Accounting record   The company must keep the accounting records and accounts for 7 years after the end of the accounting year. s. 373(3) discloses the format of the accounting records. | The holding company, if any is responsible to ensure its subsidiary keeps sufficient accounting records. | 1 | s.373, s.377 |
| 1. Consolidated accounts   The holding company is required to consolidate all subsidiaries in the financial statements. | Some subsidiary may be exempted from consolidation, therefore saving the cost of audit. Please consult us. | 5 | NA |

Notes:

1. Penalty: A **director and its responsible person** who fails to lay the financial statements before Company in AGM under s.429 / or keep sufficient accounting records commits an offence, and is liable to a **fine of HK$300, 000**.
2. Audit of the financial statements: Since the financial statements must be audited, the director shall not wait the IRD. Therefore, effectively, the financial statements must be ready for audit 7 months after the year end date.
3. Exemption from AGM: there are certain conditions where private company can be exempted from holding AGM as mentioned in S. 612 to S613. For dormant company are exempted.
4. Filing of AR: For example, a public company with the March as year end date will need to file AR by September (6 months after the year end date); whereas a company limited by guarantee shall file the AR by December (9 months after the year end date).
5. Exempt from consolidation: For example, if the subsidiary is not material to the Group’s results, it is not necessary to consolidate provided all members of the holding company agree.