



CO Rewrite

Rewrite of the Companies Ordinance

Consultation Paper Highlights

Accounting and Auditing Provisions

March 2007

Financial Services and the Treasury Bureau
www.fstb.gov.hk

Companies Ordinance Rewrite

Background

The Companies Ordinance Rewrite exercise started in mid-2006. **Phase I** deals with provisions affecting the operation of some 600 000 live companies. **Phase II** will tackle the winding-up and other insolvency-related provisions.

Objective

- Modernise our company law to enhance Hong Kong's competitiveness and attractiveness as an international business and financial centre

Key Considerations

- Cater for the needs of small and medium-sized enterprises
- Enhance corporate governance
- Encourage the use of information technology
- Improve the structure and modernise the language
- Benchmark Hong Kong against other major common law jurisdictions, e.g. Australia, Singapore and the United Kingdom

Targets (Phase I)

- **Early 2008** : launch public consultation on other complex subjects, such as share capital, distribution of profits and assets, and company charges
- **Mid-2009** : publish a White Bill for public consultation
- **Third quarter, 2010 (tentative)** : introduce the new Companies Bill into the Legislative Council

Consultation on Accounting & Auditing Provisions

- Proposals are based on the work of a working group comprising representatives of the Hong Kong Institute of Certified Public Accountants and relevant government departments. Views from the Standing Committee on Company Law Reform have also been incorporated.

Our aims are:

- Save compliance and business costs
- Improve disclosure and transparency
- Enhance compliance

Key Proposals

SAVE compliance and business costs

- Relax the qualifying criteria to enable more private companies to take advantage of simplified reporting and disclosure requirements
- Make the summary financial report provisions more user-friendly
- Relieve a holding company from the obligation to prepare its own accounts, provided that the company has included its own balance sheet as a note to its group accounts

IMPROVE disclosure and transparency

- Require the directors' report to include:
 - a more forward-looking, analytical and informative business review while exempting most private companies from this requirement; and
 - a statement by directors concerning disclosure of information to auditors, so as to facilitate the latter to obtain all relevant audit information
- Modernise and streamline the provisions on directors' remuneration
- Provide explicitly for a company's financial year

ENHANCE compliance

- Enhance auditors' rights, e.g. expand auditors' right to obtain company information from the employees of a company and other relevant persons
- Increase auditors' responsibilities, e.g. requiring all outgoing auditors to provide a statement of the circumstances connected with his ceasing to hold office
- Review the relative roles of the accounting disclosure requirements in the Companies Ordinance, e.g. the Tenth and Eleventh Schedules, the Hong Kong Financial Reporting Standards and the Small and Medium-sized Entities Financial Reporting Standards

The consultation paper can be downloaded from <http://www.fstb.gov.hk/fsb>

Please send your comments to us on or before 29 June 2007.

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