

- (b) any reference to a profit and loss account shall be taken, in the case of a company not trading for profit, as referring to its income and expenditure account, and references to profit or to loss and, if the company has subsidiaries, references to a consolidated profit and loss account shall be construed accordingly.

Obligation to lay group accounts before holding company. 1948 c. 38, s. 150.

124. (1) Where at the end of its financial year a company has subsidiaries, accounts or statements (in this Ordinance referred to as "group accounts") dealing as hereinafter mentioned with the state of affairs and profit or loss of the company and the subsidiaries shall, subject to subsection (2), be laid before the company in general meeting when the company's own balance sheet and profit and loss account are so laid.

(2) Notwithstanding anything in subsection (1)—

- (a) group accounts shall not be required where the company is at the end of its financial year the wholly owned subsidiary of another body corporate incorporated in Hong Kong; and
- (b) group accounts need not deal with a subsidiary of the company if the company's directors are of opinion that—

(i) it is impracticable, or would be of no real value to members of the company, in view of the insignificant amount involved, or would involve expense or delay out of proportion to the value to members of the company; or

(ii) the result would be misleading, or harmful to the business of the company or any of its subsidiaries; or

(iii) the business of the holding company and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking;

and, if the directors are of such an opinion about each of the company's subsidiaries, group accounts shall not be required:

Provided that the approval of the Financial Secretary shall be required for not dealing in group

accounts with a subsidiary on the ground that the result would be harmful or on the ground of the difference between the business of the holding company and that of the subsidiary.

(3) If any person being a director of a company fails to take all reasonable steps to secure compliance as respects the company with the provisions of this section, he shall, in respect of each offence, be liable on summary conviction to imprisonment for six months and to a fine of ten thousand dollars:

Provided that,—

- (a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the requirements of this section were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for an offence under this section unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

(4) For the purposes of this section a body corporate shall be deemed to be the wholly owned subsidiary of another if it has no members except that other and that other's wholly owned subsidiaries and its or their nominees.

125. (1) Subject to subsection (2), the group accounts laid before a holding company shall be consolidated accounts comprising—

- (a) a consolidated balance sheet dealing with the state of affairs of the company and all the subsidiaries to be dealt with in group accounts;
- (b) a consolidated profit and loss account dealing with the profit or loss of the company and those subsidiaries.

Form of group accounts. 1948 c. 38 s. 151.

(2) If the company's directors are of opinion that it is better for the purpose—

- (a) of presenting the same or equivalent information about the state of affairs and profit or loss of the company and those subsidiaries; and
- (b) of so presenting it that it may be readily appreciated by the company's members,

the group accounts may be prepared in a form other than that required by subsection (1), and in particular may consist of more than one set of consolidated accounts dealing respectively with the company and one group of subsidiaries and with other groups of subsidiaries, or of separate accounts dealing with each of the subsidiaries, or of statements expanding the information about the subsidiaries in the company's own accounts, or any combination of those forms.

(3) The group accounts may be wholly or partly incorporated in the company's own balance sheet and profit and loss account.

126. (1) The group accounts laid before a company shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with thereby as a whole, so far as concerns members of the company.

(2) Where the financial year of a subsidiary does not coincide with that of the holding company, the group accounts shall, unless the Financial Secretary on the application or with the consent of the holding company's directors otherwise directs, deal with the subsidiary's state of affairs as at the end of its financial year ending with or last before that of the holding company, and with the subsidiary's profit or loss for that financial year.

(3) Without prejudice to subsection (1), the group accounts, if prepared as consolidated accounts, shall comply with the requirements of the Tenth Schedule, so far as applicable thereto, and if not so prepared shall give the same or equivalent information:

Contents of group accounts, 1948 c. 38, s. 152.

Tenth Schedule.

Provided that the Financial Secretary may, on the application or with the consent of a company's directors, modify the said requirements in relation to that company for the purpose of adapting them to the circumstances of the company.

127. (1) A holding company's directors shall secure that except where in their opinion there are good reasons against it, the financial year of each of its subsidiaries shall coincide with the company's own financial year.

(2) Where a holding company or a holding company's subsidiary wishes to extend its financial year so that the subsidiary's financial year may end with that of the holding company, and for that purpose to postpone the submission of the relevant accounts to a general meeting from one calendar year to the next, the Registrar may on the application of the directors of the company whose financial year is to be extended direct that, in the case of that company, the submission of accounts to a general meeting, the holding of a general meeting in order to comply with section 111(1), or the making of an annual return shall not be required in the earlier of the said calendar years.

128. (1) Subject to the provisions of this section, where, at the end of its financial year, a company has subsidiaries, there shall, in the case of each subsidiary, be stated in, or in a note on, or statement annexed to, the company's accounts laid before it in general meeting—

- (a) the subsidiary's name;
- (b) the country in which it is incorporated; and
- (c) in relation to shares of each class of the subsidiary held by the company, the identity of the class and the proportion of the nominal value of the issued shares of that class represented by the shares held.

(2) For the purposes of subsection (1)—

- (a) shares of a body corporate shall be treated as being held, or as not being held, by another such body if they would, by virtue

Financial year of holding company and subsidiary, 1948 c. 38, s. 153.

Statement in holding company's accounts of identities and places of incorporation of subsidiaries, and particulars of share-holdings therein, 1967 c. 81, s. 3.

of subsections (4) to (7) of section 2, be treated as being held or, as the case may be, as not being held by that other body for the purpose of determining whether the first-mentioned body is its subsidiary;

- (b) the proportion of the nominal value of the issued shares of any class represented by the shares held by the company shall be stated by way of a percentage, and any such percentage may be stated to the nearest whole number *per cent* except where it is between 49% and 50% or between 50% and 51%, in either of which events it shall be stated to as many decimal places as would be required to indicate the percentage, to one significant figure, of the proportion of the nominal value of the issued shares of that class represented by one share; and
- (c) to the particulars required by subsection (1) there shall be added, with reference to the proportion of the nominal value of the issued shares of a class represented by shares held by a company, a statement of the extent (if any) to which it consists in shares held by, or by a nominee for, a subsidiary of the company and the extent (if any) to which it consists in shares held by, or by a nominee for, the company itself.

(3) Subsection (1) shall not require the disclosure of information with respect to a body corporate which is the subsidiary of another and is incorporated outside Hong Kong or, being incorporated in Hong Kong, carries on business outside Hong Kong if the disclosure would, in the opinion of the directors of that other, be harmful to the business of that other or of any of its subsidiaries and the Financial Secretary agrees that the information need not be disclosed.

(4) If, in the opinion of the directors of a company having, at the end of its financial year, subsidiaries, the number of them is such that compliance

with subsection (1) would result in particulars of excessive length being given, compliance with that subsection shall not be requisite except in the case of the subsidiaries carrying on the businesses the results of the carrying on of which, in the opinion of the directors, principally affected the amount of the profit or loss of the company and its subsidiaries or the amount of the assets of the company and its subsidiaries.

(5) Where, in the case of a company, advantage is taken of subsection (4),—

- (a) there must be included in the statement required by this section the information that it deals only with the subsidiaries carrying on such businesses as are referred to in that subsection; and
- (b) the particulars given in compliance with subsection (1), together with those which, but for the fact that advantage is so taken, would have to be so given, shall be annexed to the annual return first made by the company after its accounts have been laid before it in general meeting.

(6) If a company fails to satisfy an obligation imposed on it by subsection (5) to annex particulars to a return, the company and every officer of the company who is in default shall be liable to a default fine.

Statement in company's accounts of identities and places of incorporation of companies not subsidiaries whose shares it holds, and particulars of those shares.
1967 c. 81.
s. 4.

129. (1) Subject to the provisions of this section, where, at the end of its financial year, a company holds shares of any class comprised in the equity share capital of another body corporate (not being its subsidiary) exceeding in nominal value one fifth of the nominal value of the issued shares of that class, there shall be stated in, or in a note on, or statement annexed to, the accounts of the company laid before it in general meeting—

- (a) the name of that other body corporate;
- (b) the country in which it is incorporated;
- (c) the identity of the class and the proportion of the nominal value of the issued shares of

that class represented by the shares held; and

- (d) if the company also holds shares in that other body corporate of another class (whether or not comprised in its equity share capital), or of other classes (whether or not so comprised), the like particulars as respects that other class or, as the case may be, each of those other classes.

(2) If, at the end of its financial year, a company holds shares in another body corporate (not being its subsidiary) and the amount of all the shares therein which it holds (as stated or included in its accounts laid before it in general meeting) exceeds one tenth of the amount of its assets (as so stated), there shall be stated in, or in a note on, or statement annexed to, those accounts—

- (a) the name of that other body corporate;
 (b) the country in which it is incorporated; and
 (c) in relation to shares in that other body corporate of each class held, the identity of the class and the proportion of the nominal value of the issued shares of that class represented by the shares held.

(3) Neither subsection (1) nor subsection (2) shall require the disclosure by a company of information with respect to another body corporate if that other body is incorporated outside Hong Kong or, being incorporated in Hong Kong, carries on business outside Hong Kong if the disclosure would, in the opinion of the directors of the company, be harmful to the business of the company or of that other body and the Financial Secretary agrees that the information need not be disclosed.

(4) If, at the end of its financial year, a company falls within subsection (1) in relation to more bodies corporate than one, and the number of them is such that, in the opinion of the directors, compliance with that subsection would result in particulars of excessive length being given, compliance with that subsection shall not be requisite except in

the case of the bodies, carrying on the businesses the results of the carrying on of which, in the opinion of the directors, principally affected the amount of the profit or loss of the company or the amount of its assets.

(5) Where, in the case of a company, advantage is taken of subsection (4),—

- (a) there must be included in the statement dealing with the bodies last mentioned in that subsection the information that it deals only with them; and
 (b) the particulars given in compliance with subsection (1), together with those which, but for the fact that advantage is so taken, would have to be so given, shall be annexed to the annual return first made by the company after its accounts have been laid before it in general meeting.

(6) If a company fails to satisfy an obligation imposed on it by subsection (5) to annex particulars to a return, the company and every officer of the company who is in default shall be liable to a default fine.

(7) For the purposes of this section—

- (a) shares of a body corporate shall be treated as being held, or as not being held, by another such body if they would, by virtue of subsections (4) to (7) of section 2 (but on the assumption that paragraph (b)(ii) of subsection (6) had been omitted therefrom), be treated as being held or, as the case may be, as not being held by that other body for the purpose of determining whether the first-mentioned body is its subsidiary; and
 (b) the proportion of the nominal value of the issued shares of any class represented by the shares held by the company shall be stated by way of a percentage, and any such percentage may be stated to the nearest whole number *per cent* except where it is between 49% and 50%, in which event it shall be stated to as many decimal places

as would be required to indicate the percentage, to one significant figure, of the proportion of the nominal value of the issued shares of that class represented by one share.

(8) In this section "equity share capital" means, in relation to a company, its issued share capital excluding any part thereof which does not, either as respects dividends or as respects capital, carry any right to participate beyond a specified amount in a distribution.

Statement in subsidiary company's accounts of name and place of incorporation of its ultimate holding company.
1967 c. 81, s. 5.

129A. (1) Subject to subsection (2), where, at the end of its financial year, a company is the subsidiary of another body corporate, there shall be stated in, or in a note on, or statement annexed to, the company's accounts laid before it in general meeting the name of the body corporate regarded by the directors as being the company's ultimate holding company and, if known to them, the country in which it is incorporated.

(2) Subsection (1) shall not require the disclosure by a company which carries on business outside Hong Kong of information with respect to the body corporate regarded by the directors as being its ultimate holding company if the disclosure would, in their opinion, be harmful to the business of that holding company or of the first-mentioned company or any other of that holding company's subsidiaries and the Financial Secretary agrees that the information need not be disclosed.

Signing of balance sheet.
1948 c. 38, s. 155.

129B. (1) Every balance sheet of a company shall be approved by the board of directors of the company and signed on behalf of the board by two of the directors, or, if there is only one director, by that director.

(2) In the case of a company carrying on banking business, the balance sheet shall be signed by the secretary or manager, if any, and where there are more than three directors of the company by at least three of those directors, and where there are not more than three directors by all the directors.

(3) If any copy of a balance sheet which has not been signed as required by this section is issued, circulated or published, the company and every officer of the company who is in default shall be liable to a fine of two thousand dollars.

Accounts to be annexed, and auditors' report to be attached, to balance sheet.
1948 c. 38, s. 156.

129C. (1) The profit and loss account and, so far as not incorporated in the balance sheet or profit and loss account, any group accounts laid before the company in general meeting, shall be annexed to the balance sheet, and the auditors' report shall be attached thereto.

(2) Any accounts so annexed shall be approved by the board of directors before the balance sheet is signed on their behalf.

(3) If any copy of a balance sheet is issued, circulated or published without having annexed thereto a copy of the profit and loss account or any group accounts required by this section to be so annexed, or without having attached thereto a copy of the auditors' report, the company and every officer of the company who is in default shall be liable to a fine of two thousand dollars.

Directors' report to be attached to balance sheet.

129D. (1) There shall be attached to every balance sheet laid before a company in general meeting a report by the directors with respect to the profit or loss of the company for the financial year and the state of the company's affairs as at the end thereof.

(2) Every directors' report so attached shall be approved by the board of directors and signed on behalf of the board either by the chairman of the meeting at which it was approved or by the secretary of the company.

(3) The report shall—

- (a) state the principal activities of the company and of its subsidiaries in the course of the financial year and any significant change in those activities in that year;
- (b) state the amount, if any, which the directors recommend should be paid by way of dividend;

- (c) state the amount, if any, which the directors propose to carry to reserves within the meaning of the Tenth Schedule;
- (d) if the company (not being the wholly owned subsidiary of a company incorporated in Hong Kong) has no subsidiaries and has in the financial year made donations for charitable or other purposes to a total amount of not less than \$1,000, state the total amount of such donations;
- (e) if the company (not being the wholly owned subsidiary of a company incorporated in Hong Kong) has subsidiaries and the company and its subsidiaries have between them made donations for charitable or other purposes to a total amount of not less than \$1,000, state the total amount of such donations;
- (f) if significant changes in the fixed assets of the company or of any of its subsidiaries have occurred in the financial year, contain particulars of the changes;
- (g) if, in the financial year, the company has issued any shares, state the reason for making the issue, the classes of shares issued and, as respects each class of shares, the number issued and the consideration received by the company for the issue;
- (h) if, in the financial year, it has issued any debentures, state the reason for making the issue, the classes of debentures issued and, as respects each class of debentures, the amount issued and the consideration received by the company for the issue;
- (i) state the names of the persons who, at any time during the financial year, were directors of the company;
- (j) if, at the end of the financial year, there subsists a contract with the company in which a director of the company has, or at any time in that year had, in any way, whether directly or indirectly, an interest,

or there has, at any time in that year, subsisted a contract with the company in which a director of the company had, at any time in that year, in any way, whether directly or indirectly, an interest (being, in either case, in the opinion of the directors, a contract of significance in relation to the company's business and in which the director's interest is or was material), contain—

(i) a statement of the fact of the contract's subsisting or, as the case may be, having subsisted;

(ii) the names of the parties to the contract (other than the company);

(iii) the name of the director (if not a party to the contract);

(iv) an indication of the nature of the contract; and

(v) an indication of the nature of the director's interest in the contract;

- (k) if, at the end of the financial year, there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate, or there have, at any time in that year, subsisted such arrangements as aforesaid to which the company was a party, contain a statement explaining the effect of the arrangements and giving the names of the persons who at any time in that year were directors of the company and held, or whose nominees held, shares or debentures acquired in pursuance of the arrangements;
- (l) contain particulars of any other matters so far as they are material for the appreciation of the state of the company's affairs

by its members, being matters the disclosure of which will not, in the opinion of the directors, be harmful to the business of the company or of any of its subsidiaries.

(4) As respects a company entitled to the benefit of any provision contained in Part III (exceptions for special classes of company) of the Tenth Schedule, subsection (3) shall have effect as if paragraph (f) were omitted.

(5) For the purposes of paragraphs (d) and (e) of subsection (3), "wholly owned subsidiary" shall be construed in accordance with section 124(4).

(6) The references in paragraph (j) of subsection (3) to a contract do not include references to a director's contract of service or to a contract between the company and another body corporate, being a contract in which a director of the company has or had an interest by virtue only of his being a director of that other body.

129E. Where advantage is taken of the proviso to section 141C to show an item in the directors' report instead of in the accounts, the report shall also show the corresponding amount of that item for (or, as the case may require, as at the end of) the immediately preceding financial year, except where that amount would not have had to be shown had the item been shown in the accounts.

129F. If any person being a director of a company fails to take all reasonable steps to secure compliance with the requirements of sections 129D and 129E, he shall, in respect of each offence, be liable on summary conviction to a fine of ten thousand dollars and to imprisonment for six months:

Provided that—

(a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe, and did be-

Tenth
Schedule.

Directors'
report to
show, for
items
included
under
authority of
proviso to
section 141C
correspond-
ing amounts
for preceding
financial
year.

Penalization
of failure
by directors
to secure
compliance
with require-
ments of
sections
129D and
129E.
1967 c. 81,
s. 23.

lieve, that a competent and reliable person was charged with the duty of seeing that the said sections were complied with and was in a position to discharge that duty; and

(b) a person shall not be sentenced to imprisonment for any such offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

Right to
receive
copies of
balance
sheets and
directors'
and auditors'
reports.
1948 c. 38,
s. 158.

129G. (1) A copy of every balance sheet, including every document required by law to be annexed thereto, which is to be laid before a company in general meeting, together with a copy of the directors' report and a copy of the auditors' report, shall, not less than fourteen days before the date of the meeting, be sent to every member of the company (whether he is or is not entitled to receive notices of general meetings of the company), every holder of debentures of the company (whether he is or is not so entitled) and all persons other than members or holders of debentures of the company, being persons so entitled:

Provided that—

(a) in the case of a company not having a share capital this subsection shall not require the sending of a copy of the documents aforesaid to a member of the company who is not entitled to receive notices of general meetings of the company or to a holder of debentures of the company who is not so entitled;

(b) this subsection shall not require a copy of those documents to be sent—

(i) to a member of the company or a holder of debentures of the company, being in either case a person who is not entitled to receive notices of general meetings of the company and of whose address the company is unaware;

(ii) to more than one of the joint holders of any shares or debentures none of whom are entitled to receive such notices; or

(iii) in the case of joint holders of any shares or debentures some of whom are and

some of whom are not entitled to receive such notices, to those who are not so entitled; and

- (c) if the copies of the documents aforesaid are sent less than fourteen days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by all the members entitled to attend and vote at the meeting.

(2) Any member of a company, whether he is or is not entitled to have sent to him copies of the company's balance sheets, the personal representatives of any such member who has died, and any holder of debentures of the company, whether he is or is not so entitled, shall be entitled to be furnished on demand without charge with a copy of the last balance sheet of the company, including every document required by law to be annexed thereto, together with a copy of the directors' report and a copy of the auditors' report.

(3) If default is made in complying with subsection (1), the company and every officer of the company who is in default shall be liable to a fine of two hundred dollars, and if, when any person makes a demand for any document with which he is by virtue of subsection (2) entitled to be furnished, default is made in complying with the demand within seven days after the making thereof, the company and every officer of the company who is in default shall be liable to a default fine, unless it is proved that that person has already made a demand for and been furnished with a copy of the document.

(4) Subsections (1), (2) and (3) shall not have effect in relation to a balance sheet of a private company laid before it before 1st October 1975, but the provisions of this Ordinance which were in force immediately before the said date shall apply in relation to—

- (a) the right of any person to be furnished with a copy of any such balance sheet, and
- (b) the liability of the company and any officer thereof in respect of a failure to satisfy that right.”

13. Section 141 of the principal Ordinance is repealed and the following new sections substituted therefor—

Repeal of section 141 and substitution of sections 141 to 141D.

“Auditors' report and rights of access to books and to attend and be heard at meetings. 1967 c. 81, s. 14.

141. (1) The auditors of a company shall make a report to the members on the accounts examined by them, and on every balance sheet, every profit and loss account and all group accounts laid before the company in general meeting during their tenure of office.

(2) The auditors' report shall be read before the company in general meeting and shall be open to inspection by any member.

(3) The report shall—

- (a) except in the case of a company that is entitled to avail itself, and has availed itself, of the benefit of any of the provisions of Part III of the Tenth Schedule, state whether in the auditors' opinion the company's balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been properly prepared in accordance with the provisions of this Ordinance and whether in their opinion a true and fair view is given—

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;

(ii) in the case of the profit and loss account (if it is not framed as a consolidated profit and loss account), of the company's profit or loss for its financial year;

(iii) in the case of group accounts submitted by a holding company, of the state of affairs and profit or loss of the company and its subsidiaries dealt with thereby, so far as concerns members of the company;

- (b) in the said excepted case, state whether in the auditors' opinion the company's balance sheet and profit and loss account and (if it is a holding company submitting group accounts) the group accounts have been

Tenth Schedule.

properly prepared in accordance with the provisions of this Ordinance applicable to such companies and whether in their opinion, on the basis aforesaid, a true and fair view is given—

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year;

(ii) in the case of the profit and loss account (if it is not framed as a consolidated profit and loss account), of the company's profit or loss for its financial year;

(iii) in the case of group accounts submitted by a holding company, of the state of affairs and profit or loss of the company and its subsidiaries dealt with thereby, so far as concerns members of the company.

(4) It shall be the duty of the auditors of a company, in preparing their report under this section, to carry out such investigations as will enable them to form an opinion as to the following matters, that is to say,—

- (a) whether proper books of account have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them; and
- (b) whether the company's balance sheet and (unless it is framed as a consolidated profit and loss account) profit and loss account are in agreement with the books of account and returns;

and if the auditors are of opinion that proper books of account have not been kept by the company or that proper returns adequate for their audit have not been received from branches not visited by them, or if the balance sheet and (unless it is framed as a consolidated profit and loss account) profit and loss account are not in agreement with the books of account and returns, the auditors shall state that fact in their report.

(5) Every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to

require from the officers of the company such information and explanations as he thinks necessary for the performance of the duties of the auditors:

Provided that, in the case of a banking company which has branch banks beyond the limits of the Colony, it shall be sufficient (subject to the powers of the auditors under subsections (4) and (6)) if the auditor is allowed access to such copies and extracts from such books and accounts of any such branch as have been transmitted to the head office of the company in the Colony.

(6) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.

(7) The auditors of a company shall be entitled to attend any general meeting of the company and to receive all notices of, and other communications relating to, any general meeting which any member of the company is entitled to receive, and to be heard at any general meeting which they attend on any part of the business of the meeting which concerns them as auditors.

Special provisions in respect of financial years ending before 30.9.75.

141A. (1) Sections 123, 128, 129 and 129A shall not apply to a balance sheet or profit and loss account of a company laid before it in general meeting in respect of a financial year ending before 30th September 1975, but all the provisions of this Ordinance which were in force at the end of the financial year in relation to a balance sheet or profit and loss account required to be laid before a company in general meeting shall apply in relation to any balance sheet or profit and loss account laid before a company in general meeting in respect of a financial year ending before 30th September 1975.

(2) Section 124 shall not operate so as to require group accounts to be laid before a company in general meeting along with the company's own balance sheet and profit and loss account in any case where the company's own balance sheet and profit and loss account which are being laid before the company in general meeting are in respect of a financial year ending before 30th September 1975, and sections 125,

126 and 127 shall accordingly not apply in any such case.

(3) Section 129D shall not apply to a directors' report in respect of a financial year ending before 30th September 1975, but all the provisions of this Ordinance which were in force at the end of the financial year in relation to the attaching of a directors' report to every balance sheet of a company laid before it in general meeting and to the contents of such a report shall apply in relation to a directors' report in respect of a financial year ending before 30th September 1975.

(4) Subsections (3) and (6) of section 141 shall not apply in relation to an auditors' report on a balance sheet or other accounts of a company laid before it in general meeting in respect of a financial year ending before 30th September 1975, but the provisions of this Ordinance which were in force at the end of the financial year in relation to the auditors' report on accounts examined by them and on every balance sheet laid before a company in general meeting during their tenure of office shall apply in relation to the auditors' report on any such balance sheet or other accounts laid before a company in general meeting in respect of a financial year ending before 30th September 1975.

141B. (1) In relation to the first balance sheet of a company laid before it in general meeting in respect of a financial year ending after 29th September 1975, paragraph 12(16) of the Tenth Schedule shall not have effect so as to require there to be shown corresponding amounts at the end of the immediately preceding financial year of items which would not have had to be shown in the balance sheet if it had been a balance sheet in respect of a financial year ending before 30th September 1975.

(2) In relation to the first profit and loss account of a company laid before it in general meeting in respect of a financial year ending after 29th September 1975, paragraph 17(5) of the Tenth Schedule shall not have effect so as to require there to be shown corresponding amounts for the immediately preceding financial year of items which would not have had to be shown in the profit and loss account if it had been

Special provisions in respect of first financial year ending after 29.9.75. Tenth Schedule.

a profit and loss account in respect of a financial year ending before 30th September 1975.

141C. References in this Ordinance to a document annexed or required to be annexed to a company's accounts or any of them shall not include the directors' report or the auditors' report:

Provided that any information which is required by this Ordinance to be given in accounts, and is thereby allowed to be given in a statement annexed, may be given in the directors' report instead of in the accounts and, if any such information is so given, the report shall be annexed to the accounts and this Ordinance shall apply in relation thereto accordingly, except that the auditors shall report thereon only so far as it gives the said information.

Accounts of certain private companies

141D. (1) Where all the shareholders of a private company agree in writing that this section shall apply with respect to a financial year of that company—

- (a) the following provisions of this Ordinance shall not apply with respect to that financial year, that is to say, subsection (2) of section 121, subsection (3) of section 141 and sections 123, 129, 129A, 129D and 129E;
- (b) the company's balance sheet as at the end of that financial year shall comply with the requirements of the Eleventh Schedule;
- (c) there shall be attached to the balance sheet a report by the directors with respect to—
 - (i) the state of the company's affairs;
 - (ii) the amount (if any) which they recommend should be paid by way of dividend;
 - (iii) the amount (if any) which they propose to carry to the reserve fund, general reserve or reserve account shown specifically on the balance sheet or to a reserve fund, general reserve or reserve account to be shown specifically on a subsequent balance sheet;

Construction of references to documents annexed to accounts. 1948 c. 38, s. 163.

Power of shareholders of certain private companies to waive compliance with requirements as to accounts.

Eleventh Schedule.

- (d) the directors' report so attached shall be approved by the board of directors and signed on behalf of the board either by the chairman of the meeting at which it was approved or by the secretary of the company;
- (e) the auditors' report shall state—
- (i) whether or not the auditors have obtained all the information and explanations which they have required; and
 - (ii) whether, in their opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

(2) The shareholders shall not in any financial year of the company enter into an agreement for the purposes of subsection (1) with respect to more than one such financial year.

(3) This section does not apply to a private company which—

- (a) has any subsidiary or is a subsidiary of another company; or
- (b) carries on banking business and holds a valid licence granted under the Banking Ordinance; or
- (c) is a dealer registered under the Securities Ordinance 1974; or

either solely or in common with any other business,

- (d) carries on any insurance business otherwise than solely as an agent; or
- (e) by way of trade or business, other than banking business, accepts loans of money at interest, or repayable at a premium, otherwise than on terms involving the issue of debentures or other securities; or

- (f) owns and operates ships or aircraft engaged in the carriage of cargo between Hong Kong and places outside Hong Kong.

(4) Without prejudice to any other provision of this Ordinance, if any person being a director of a company fails to take all reasonable steps to secure compliance with the requirements of paragraphs (c) and (d) of subsection (1), he shall, in respect of each offence, be liable on summary conviction to a fine of ten thousand dollars and to imprisonment for six months:

Provided that—

- (a) in any proceedings against the person in respect of an offence under this subsection, it shall be a defence to prove that he had reasonable ground to believe, and did believe, that a competent and reliable person was charged with the duty of seeing that the said paragraphs were complied with and was in a position to discharge that duty; and
- (b) a person shall not be sentenced to imprisonment for any such offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.”.

14. Section 161 of the principal Ordinance is repealed and replaced by the following new sections—

“Particulars in accounts of directors' emoluments, pensions, etc.
1948 c. 38, s. 196.

161. (1) In any accounts of a company laid before it in general meeting, or in a statement annexed thereto, there shall, subject to and in accordance with the provisions of this section, be shown so far as the information is contained in the company's books and papers or the company has the right to obtain it from the persons concerned—

- (a) the aggregate amount of the directors' emoluments;
- (b) the aggregate amount of directors' or past directors' pensions; and

Repeal of section 161 and substitution of new sections 161 to 161C.

(c) the aggregate amount of any compensation to directors or past directors in respect of loss of office.

(2) The amount to be shown under paragraph (a) of subsection (1)—

(a) shall include any emoluments paid to or receivable by any person in respect of his services as director of the company or in respect of his services, while director of the company, as director of any subsidiary thereof or otherwise in connexion with the management of the affairs of the company or any subsidiary thereof; and

(b) shall distinguish between emoluments in respect of services as director, whether of the company or its subsidiary, and other emoluments;

and for the purposes of this section the expression "emoluments", in relation to a director, includes fees and percentages, any sums paid by way of expenses allowance less amounts actually spent on the expenses for which the allowance was made, any contribution paid in respect of him under any pension scheme and the estimated money value of any other benefits received by him otherwise than in cash.

(3) The amount to be shown under paragraph (b) of subsection (1)—

(a) shall not include any pension paid or receivable under a pension scheme if the scheme is such that the contributions thereunder are substantially adequate for the maintenance of the scheme, but save as aforesaid shall include any pension paid or receivable in respect of any such services of a director or past director of the company as are mentioned in subsection (1), whether to or by him or, on his nomination or by virtue of dependence on or other connexion with him, to or by any other person; and

(b) shall distinguish between pensions in respect of services as director, whether of the company or its subsidiary, and other pensions;

and for the purposes of this section the expression "pension" includes any superannuation allowance, superannuation gratuity or similar payment, and the expression "pension scheme" means a scheme for the provision of pensions in respect of services as director or otherwise which is maintained in whole or in part by means of contributions, and the expression "contribution" in relation to a pension scheme means any payment (including an insurance premium) paid for the purposes of the scheme by or in respect of persons rendering services in respect of which pensions will or may become payable under the scheme, except that it does not include any payment in respect of two or more persons if the amount paid in respect of each of them is not ascertainable.

(4) The amount to be shown under paragraph (c) of subsection (1)—

(a) shall include any sums paid to or receivable by a director or past director by way of compensation for the loss of office as director of the company or for the loss, while director of the company or on or in connexion with his ceasing to be a director of the company, of any other office in connexion with the management of the company's affairs or of any office as director or otherwise in connexion with the management of the affairs of any subsidiary thereof; and

(b) shall distinguish between compensation in respect of the office of director, whether of the company or its subsidiary, and compensation in respect of other offices;

and for the purposes of this section references to compensation for loss of office shall include sums paid as consideration for or in connexion with a person's retirement from office.

(5) The amounts to be shown under each paragraph of subsection (1)—

- (a) shall include all relevant sums paid by or receivable from—
- (i) the company; and
 - (ii) the company's subsidiaries; and
 - (iii) any other person;

except sums to be accounted for to the company or any of its subsidiaries or, by virtue of section 163(4), to past or present members of the company or any of its subsidiaries or any class of those members; and

- (b) shall distinguish, in the case of the amount to be shown under paragraph (c) of subsection (1), between the sums respectively paid by or receivable from the company, the company's subsidiaries and persons other than the company and its subsidiaries.

(6) The amounts to be shown under this section for any financial year shall be the sum receivable in respect of that year, whenever paid, or, in the case of sums not receivable in respect of a period, the sums paid during that year, so, however, that where any sums are not shown in the accounts for the relevant financial year on the ground that the person receiving them is liable to account therefor as mentioned in paragraph (a) of subsection (5), but the liability is thereafter wholly or partly released or is not enforced within a period of two years, those sums shall, to the extent to which the liability is released or not enforced, be shown in the first accounts in which it is practicable to show them or in a statement annexed thereto, and shall be distinguished from the amounts to be shown therein apart from this provision.

(7) Where it is necessary so to do for the purpose of making any distinction required by this section in any amount to be shown thereunder, the directors may apportion any payments between the matters in respect of which they have been paid or are receivable in such manner as they think appropriate.

(8) If in the case of any accounts the requirements of this section are not complied with, it shall be the duty of the auditors of the company by whom the accounts are examined to include in their report thereon, so far as they are reasonably able to do so, a statement giving the required particulars.

(9) In this section any reference to a company's subsidiary—

- (a) in relation to a person who is or was, while a director of the company, a director also, by virtue of the company's nomination, direct or indirect, of any other body corporate, shall, subject to paragraph (b), include that body corporate, whether or not it is or was in fact the company's subsidiary; and

- (b) shall for the purposes of subsections (2) and (3) be taken as referring to a subsidiary at the time the services were rendered, and for the purposes of subsection (4) be taken as referring to a subsidiary immediately before the loss of office as director of the company.

Statements annexed to accounts showing certain items to include corresponding amounts for preceding financial year. 1967 c. 81, s. 11.

161A. (1) Where an item required by section 161 to be shown in a company's accounts or in a statement annexed is, in the case of a financial year, shown in such a statement, the corresponding amount for the immediately preceding financial year shall be included in that statement.

(2) If any person being a director of a company fails to take all reasonable steps to secure compliance with the provisions of subsection (1), he shall, in respect of each offence, be liable on summary conviction to imprisonment for six months and to a fine of ten thousand dollars:

Provided that—

- (a) in any proceedings against a person in respect of an offence under this section, it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the

provisions of subsection (1) were complied with and was in a position to discharge that duty; and

- (b) a person shall not be sentenced to imprisonment for any such offence unless, in the opinion of the court dealing with the case, the offence was committed wilfully.

Particulars
in accounts
of loans to
officers, &c.
1948 c. 38,
s. 197.

161B. (1) The accounts which, in pursuance of this Ordinance, are to be laid before every company in general meeting shall, subject to the provisions of this section, contain particulars showing—

- (a) the amount of any loans made during the company's financial year to—
- (i) any officer of the company; or
 - (ii) any person who, after the making of the loan, became during that year an officer of the company;

by the company or a subsidiary thereof or by any other person under a guarantee from or on a security provided by the company or a subsidiary thereof (including any such loans which were repaid during that year); and

- (b) the amount of any loans made in manner aforesaid to any such officer or person as aforesaid at any time before the company's financial year and outstanding at the expiration thereof.

(2) Subsection (1) shall not require the inclusion in accounts of particulars of—

- (a) a loan made in the ordinary course of its business by the company or a subsidiary thereof, where the ordinary business of the company or, as the case may be, the subsidiary, includes the lending of money; or
- (b) a loan made by the company or a subsidiary thereof to an employee of the company or subsidiary, as the case may be, if the loan does not exceed \$100,000 and is certified by the directors of the company or subsidiary, as the case may be, to have

been made in accordance with any practice adopted or about to be adopted by the company or subsidiary with respect to loans to its employees,

not being, in either case, a loan made by the company under a guarantee from or on a security provided by a subsidiary thereof or a loan made by a subsidiary of the company under a guarantee from or on a security provided by the company or any other subsidiary thereof.

(3) If in the case of any such accounts as aforesaid the requirements of this section are not complied with, it shall be the duty of the auditors of the company by whom the accounts are examined to include in their report thereon, so far as they are reasonably able to do so, a statement giving the required particulars.

(4) References in this section to a subsidiary shall be taken as referring to a subsidiary at the end of the company's financial year (whether or not a subsidiary at the date of the loan).

General duty
to make
disclosure
for purposes
of sections
161 and
161B.
1948 c. 38,
s. 198.

161C. (1) It shall be the duty of any director of a company to give notice in writing to the company of such matters relating to himself as may be necessary for the purposes of section 161 and of section 161B except so far as it relates to loans made, by the company or by any other person under a guarantee from or on a security provided by the company, to an officer thereof.

(2) Subsection (1) shall apply—

- (a) for the purposes of section 161B, in relation to officers other than directors; and
- (b) for the purposes of sections 161 and 161B, in relation to persons who are or have at any time during the preceding five years been officers,

as it applies in relation to directors.

(3) Any person who makes default in complying with this section shall be liable to a fine of \$10,000."

Repeal and
replacement
of section
336.

15. Section 336 of the principal Ordinance is repealed and the following new section substituted therefor—

“Accounts of
company to
which Part
XI applies.

336. (1) Subject to subsection (6), every company to which this Part applies shall, at least once in every calendar year and at intervals of not more than fifteen months, deliver to the Registrar for registration copies, certified in the prescribed manner, of—

- (a) (i) its balance sheet as at the end of its last financial year,
- (ii) its profit and loss account for the said year,
- (iii) its group accounts, if any, in respect of the said year, and
- (iv) its directors' report, if any, in respect of the said year,

all in such form and containing such particulars and including copies of such documents as the company is required to prepare by the law for the time being applicable to the company in the place of its incorporation or origin; and

- (b) its auditors' report, if any, on the said balance sheet and accounts.

(2) The Registrar may, if he is of the opinion that the balance sheet, profit and loss account and documents referred to in subsection (1) do not sufficiently disclose the company's financial position, require the company to deliver to him for registration a balance sheet and profit and loss account within such period, in such form and, subject to subsection (3), containing such particulars and including such documents as he by notice in writing given to the company requires, and the company shall comply with the requirements set out in the notice.

(3) Subsection (2) does not authorize the Registrar to require a balance sheet or profit and loss account to contain any particulars or include any documents that would not be required to be furnished if the company were a company incorporated under this Ordinance.

(4) Where a company to which this Part applies is not required by the law of the place of its incorporation or origin to prepare a balance sheet and profit and loss account, the company shall prepare and deliver to the Registrar for registration—

- (a) a balance sheet and profit and loss account within such period, in such form and containing such particulars and including such documents as the company would have been required to prepare if it were a company incorporated under this Ordinance, and
- (b) a report by qualified auditors on the said balance sheet and profit and loss account.

(5) If any balance sheet, profit and loss account, group accounts or document delivered to the Registrar for registration under this section is not written in the English language, there shall be annexed to it a certified translation thereof in English.

(6) This section shall not apply to a company which—

- (a) if it were incorporated under this Ordinance would be a private company within the meaning of section 29, or
- (b) in the opinion of the Registrar has substantially the same general characteristics as such a private company,

and which is not required by the law of the place of its incorporation or origin to publish its accounts or to deliver copies to any person in whose office they may be inspected as of right by members of the public.”

16. Section 351 of the principal Ordinance is amended by inserting after subsection (1) the following new subsection— Amendment
of section
351.

“(1A) Where any offence, being an offence for the continuance of which a penalty was provided, has been committed under any provisions of this Ordinance which were in force immediately before 1st October 1975 but were on that date replaced by corresponding provisions with or without modification, proceedings may be taken under this Ordinance in respect of the continuance of the offence after the said

date in the same manner as if the offence had been committed under the said corresponding provisions.”.

Amendment of heading before section 360. 17. The heading before section 360 of the principal Ordinance is amended by inserting after “Fees” the following—
“and of Requirements as to Accounts”.

Amendment of section 360. 18. Section 360 of the principal Ordinance is amended by inserting after subsection (2) the following new subsection—
 “(2A) The Governor in Council may by order published in the *Gazette* amend the Tenth and Eleventh Schedules.”.

Amendment of First Schedule. 19. The First Schedule to the principal Ordinance is amended—
 (a) in Table A—

(i) in article 38, by deleting “and any capital redemption reserve fund” and substituting the following—

“, any capital redemption reserve fund or any share premium account”;

(ii) in article 44, by deleting “ordinary report” and substituting the following—

“reports”;

(iii) in article 97, by inserting at the end the following—

“Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.”;

(iv) by deleting articles 100 and 101 and substituting the following new articles—

100. The directors shall from time to time, in accordance with sections 122, 124 and 129D of the Ordinance, cause to be prepared and to be laid before the company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in those sections.

101. A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the company in general meeting, together with a copy of the directors’ report and a copy of the auditors’ report, shall not less than fourteen days before the date of the meeting be sent to every member of, and every holder of debentures of, the com-

pany and to all persons other than members or holders of debentures of the company, being persons entitled to receive notices of general meetings of the company:

Provided that this regulation shall not require a copy of those documents to be sent to any person of whose address the company is not aware or to more than one of the joint holders of any shares or debentures.”;

(v) in article 107—

(i) by deleting “and also to”;

(ii) by inserting after “notice of the meeting” the following—

“, and (c) the auditors for the time being of the company”; and

(b) in Table C—

(i) in article 10, by deleting “ordinary report” and substituting the following—

“reports”;

(ii) in article 51, by inserting at the end the following—

“Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.”;

(iii) by deleting articles 54 and 55 and substituting the following new articles—

“54. The directors shall from time to time in accordance with sections 122, 124 and 129D of the Ordinance, cause to be prepared and to be laid before the company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in those sections.

55. A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the company in general meeting, together with a copy of the directors’ report and a copy of the auditors’ report, shall not less than fourteen days before the date of the meeting be sent to every member of, and every holder of debentures of, the company:

Provided that this article shall not require a copy of those documents to be sent to any person of whose address the company is not aware or to more than one of the joint holders of any debentures.”;

(iv) in article 59—

(A) by inserting after “authorized to” the following—

“(a)”; and

(B) by inserting after “to them” the following—

“, and (b) the auditors for the time being of the company”.

Amendment
of Fifth
Schedule.

20. The Fifth Schedule to the principal Ordinance is amended by deleting the heading “*Copy of last audited Balance Sheet of the Company*” and of the paragraph thereunder beginning “NOTE.—”, and substituting for such heading and paragraph the following new heading and paragraph—

“Certified copies of Accounts

Except where the company is a private company within the meaning of section 29 of the Companies Ordinance, there must be annexed to this return a written copy, certified by a director or by the manager or secretary of the company to be a true copy, of every balance sheet laid before the company in general meeting during the period to which this return relates (including every document required by law to be annexed to the balance sheet) and a copy (certified as aforesaid) of the report of the auditors on, and of the report of the directors accompanying, each such balance sheet. If any such balance sheet or document required by law to be annexed thereto or any such report is not in the English language there must also be annexed to that balance sheet a translation in English of the balance sheet, document or report certified in the prescribed manner to be a correct translation. If any such balance sheet as aforesaid or document required by law to be annexed thereto did not comply with the requirements of the law as in force at the date of the audit with respect to the form of balance sheets or documents aforesaid, as the case may be, there must be made such additions to and corrections in the copy as would have been required to be made in the balance sheet or document in order to make it comply with the said requirements, and the fact that the copy has been so amended must be stated thereon.”.

Amendment
of Ninth
Schedule.

21. The Ninth Schedule to the principal Ordinance is amended—

(a) by deleting “141(1) and (2)” and substituting the following—

“141(1) and (5)”; and

(b) by deleting “Balance sheet of company carrying on business in the Colony;” in the second column opposite to “336” and substituting the following—

“Accounts of company to which Part XI applies;”.

22. The principal Ordinance is amended by adding after the Ninth Schedule the following new Schedules—

Addition of
new Tenth
and
Eleventh
Schedules.

“TENTH SCHEDULE

ACCOUNTS

Preliminary

1. Paragraphs 2 to 12 apply to the balance sheet and 13 to 17 to the profit and loss account, and are subject to the exceptions and modifications provided for by Part II in the case of a holding or subsidiary company and by Part III in the case of companies of the classes there mentioned; and this Schedule has effect in addition to the provisions of sections 161 to 161C of this Ordinance.

PART I

GENERAL PROVISIONS AS TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Balance Sheet

2. The authorised share capital, issued share capital, liabilities and assets shall be summarised, with such particulars as are necessary to disclose the general nature of the assets and liabilities, and there shall be specified—

(a) any part of the issued capital that consists of redeemable preference shares, the earliest and latest dates on which the company has power to redeem those shares, whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company and whether any (and, if so, what) premium is payable on redemption;

(b) so far as the information is not given in the profit and loss account, any share capital on which interest has been paid out of capital during the financial year, and the rate at which interest has been so paid;

(c) the amount of the share premium account;

(d) particulars of any redeemed debentures which the company has power to reissue.

3. There shall be stated under separate headings, so far as they are not written off,—

(a) the preliminary expenses;

(b) any expenses incurred in connexion with any issue of share capital or debentures;

(c) any sums paid by way of commission in respect of any shares or debentures;

(d) any sums allowed by way of discount in respect of any debentures; and

(e) the amount of the discount allowed on any issue of shares at a discount.

4. (1) The reserves, provisions, liabilities and assets shall be classified under headings appropriate to the company's business:

Provided that—

- (a) where the amount of any class is not material, it may be included under the same heading as some other class; and
- (b) where any assets of one class are not separable from assets of another class, those assets may be included under the same heading.

(2) Fixed assets, current assets and assets that are neither fixed nor current shall be separately identified.

(3) The method or methods used to arrive at the amount of the fixed assets under each heading shall be stated.

5. (1) The method of arriving at the amount of any fixed asset shall, subject to sub-paragraph (2), be to take the difference between—

- (a) its cost or, if it stands in the company's books at a valuation, the amount of the valuation; and
- (b) the aggregate amount provided or written off since the date of acquisition or valuation, as the case may be, for depreciation or diminution in value;

and for the purposes of this paragraph the net amount at which any assets stand in the company's books at 1st October 1975 (after deduction of the amounts previously provided or written off for depreciation or diminution in value) shall, if the figures relating to the period before 1st October 1975 cannot be obtained without unreasonable expense or delay, be treated as if it were the amount of a valuation of those assets made at 1st October 1975 and, where any of those assets are sold, the said net amount less the amount of the sales shall be treated as if it were the amount of a valuation so made of the remaining assets.

(2) Sub-paragraph (1) shall not apply—

- (a) to assets for which the figures relating to the period beginning with 1st October 1975 cannot be obtained without unreasonable expense or delay; or
- (b) to assets the replacement of which is provided for wholly or partly—
 - (i) by making provision for renewals and charging the cost of replacement against the provision so made; or
 - (ii) by charging the cost of replacement direct to revenue; or
- (c) to any quoted investments or to any unquoted investments of which the value as estimated by the directors is shown either as the amount of the investments or by way of note; or
- (d) to goodwill, patents or trade marks.

(3) For the assets under each heading whose amount is arrived at in accordance with sub-paragraph (1), there shall be shown—

- (a) the aggregate of the amounts referred to in paragraph (a) of that sub-paragraph; and

- (b) the aggregate of the amounts referred to in paragraph (b) thereof.

(4) As respects the assets under each heading whose amount is not arrived at in accordance with sub-paragraph (1) because their replacement is provided for as mentioned in sub-paragraph (2)(b), there shall be stated—

- (a) the means by which their replacement is provided for; and
- (b) the aggregate amount of the provision (if any) made for renewals and not used.

6. The aggregate amounts respectively of reserves and provisions (other than provisions for depreciation, renewals or diminution in value of assets) shall be stated under separate headings:

Provided that—

- (a) this paragraph shall not require a separate statement of either of the said amounts which is not material; and
- (b) the Financial Secretary may direct that it shall not require a separate statement of the amount of provisions where he is satisfied that that is not required in the public interest and would prejudice the company, but subject to the condition that any heading stating an amount arrived at after taking into account a provision (other than as aforesaid) shall be so framed or marked as to indicate that fact.

7. (1) There shall also be shown (unless it is shown in the profit and loss account or a statement or report annexed thereto, or the amount involved is not material)—

- (a) where the amount of the reserves or of the provisions (other than provisions for depreciation, renewals or diminution in value of assets) shows an increase as compared with the amount at the end of the immediately preceding financial year, the source from which the amount of the increase has been derived; and
- (b) where—
 - (i) the amount of the reserves shows a decrease as compared with the amount at the end of the immediately preceding financial year; or
 - (ii) the amount at the end of the immediately preceding financial year of the provisions (other than provisions for depreciation, renewals or diminution in value of assets) exceeded the aggregate of the sums since applied and amounts still retained for the purposes thereof;

the application of the amounts derived from the difference.

(2) Where the heading showing the reserves or any of the provisions aforesaid is divided into sub-headings, this paragraph shall apply to each of the separate amounts shown in the sub-headings instead of applying to the aggregate amount thereof.

8. If an amount is set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation, it shall be stated.

9. (1) There shall be shown under separate headings—
- (a) the aggregate amounts respectively of the company's quoted investments and unquoted investments;
 - (b) if the amount of the goodwill and of any patents and trade marks or part of that amount is shown as a separate item in or is otherwise ascertainable from the books of the company, or from any contract for the sale or purchase of any property to be acquired by the company, or from any documents in the possession of the company relating to the stamp duty payable in respect of any such contract or the conveyance of any such property, the said amount so shown or ascertained so far as not written off or, as the case may be, the said amount so far as it is so shown or ascertainable and as so shown or ascertained, as the case may be;
 - (c) the aggregate amount of any outstanding loans made under the authority of provisos (b) and (c) to subsection (1) of section 48;
 - (d) the aggregate amount of bank loans and overdrafts, and the aggregate amount of loans, other than bank loans or overdrafts, made to the company which—
 - (i) are repayable otherwise than by instalments and fall due for repayment after the expiration of the period of five years beginning with the day next following the expiration of the financial year; or
 - (ii) are repayable by instalments any of which fall due for payment after the expiration of that period;
 - (e) the aggregate amount which is recommended for distribution by way of dividend.
- (2) Nothing in head (b) of sub-paragraph (1) shall be taken as requiring the amount of the goodwill, patents and trade marks to be stated otherwise than as a single item.
- (3) The heading showing the amount of the quoted investments shall be subdivided, where necessary, to distinguish the investments as respects which there has, and those as respects which there has not, been granted a quotation or permission to deal on a recognised stock exchange.
- (4) In relation to each loan falling within head (d) of sub-paragraph (1) (other than a bank loan or overdraft), there shall be stated by way of note (if not otherwise stated) the terms on which it is repayable and the rate at which interest is payable thereon:

Provided that if the number of loans is such that, in the opinion of the directors, compliance with the foregoing requirement would result in a statement of excessive length, it shall be sufficient to give a general indication of the terms on which the loans are repayable and the rates at which interest is payable thereon.

10. Where any liability of the company is secured otherwise than by operation of law on any assets of the company, the fact that that liability is so secured shall be stated, but it shall not be necessary to specify the assets on which the liability is secured.

11. Where any of the company's debentures are held by a nominee of or trustee for the company, the nominal amount of the debentures and the amount at which they are stated in the books of the company shall be stated.

12. (1) The matters referred to in the following sub-paragraphs shall be stated by way of note, or in a statement or report annexed, if not otherwise shown.

(2) The number, description and amount of any shares in the company which any person has an option to subscribe for, together with the following particulars of the option, that is to say—

- (a) the period during which it is exercisable;
- (b) the price to be paid for shares subscribed for under it.

(3) The amount of any arrears of fixed cumulative dividends on the company's shares and the period for which the dividends or, if there is more than one class, each class of them are in arrear.

(4) Particulars of any charge on the assets of the company to secure the liabilities of any other person, including, where practicable, the amount secured.

(5) The general nature of any other contingent liabilities not provided for and, where practicable, the aggregate amount or estimated amount of those liabilities, if it is material.

(6) Where practicable the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for and, where practicable, the aggregate amount or estimated amount, if it is material, of capital expenditure authorised by the directors which has not been contracted for.

(7) In the case of fixed assets under any heading whose amount is required to be arrived at in accordance with paragraph 5(1) (other than unquoted investments) and is so arrived at by reference to a valuation, the years (so far as they are known to the directors) in which the assets were severally valued and the several values, and, in the case of assets that have been valued during the financial year,—

- (a) the names of the persons who valued them or particulars of their qualifications for doing so, and
- (b) the bases of valuation used by such persons.

(8) If there are included amongst fixed assets under any heading (other than investments) assets that have been acquired during the financial year, the aggregate amount of the assets acquired as determined for the purpose of making up the balance sheet, and if during that year any fixed assets included under a heading in the balance sheet made up with respect to the immediately preceding financial year (other than investments) have been disposed of or destroyed, the aggregate amount thereof as determined for the purpose of making up that balance sheet.

(9) Of the amount of fixed assets consisting of land, how much is ascribable to—

- (a) land in Hong Kong in each of the following categories—
 - (i) land held on long lease;

- (ii) land held on medium-term lease;
 - (iii) land held on short lease;
- (b) land outside Hong Kong in each of the following categories—
- (i) land held freehold;
 - (ii) land held on long lease;
 - (iii) land held on medium-term lease;
 - (iv) land held on short lease.
- (10) If in the opinion of the directors any of the current assets have not a value, on realisation in the ordinary course of the company's business, at least equal to the amount at which they are stated, the fact that the directors are of that opinion.
- (11) The aggregate market value of the company's quoted investments where it differs from the amount of the investments as stated, and the stock exchange value of any investments of which the market value is shown (whether separately or not) and is taken as being higher than their stock exchange value.
- (12) If a sum set aside for the purpose of its being used to prevent undue fluctuations in charges for taxation has been used during the financial year for another purpose, the amount thereof and the fact that it has been so used.
- (13) If the amount carried forward for stock in trade or work in progress is material for the appreciation by its members of the company's state of affairs or of its profit or loss for the financial year, the manner in which that amount has been computed.
- (14) The basis on which other currencies have been converted into the currency in which the balance sheet is expressed, where the amount of the assets or liabilities affected is material.
- (15) The basis on which the amount, if any, set aside for Hong Kong profits tax is computed.
- (16) Except in the case of the first balance sheet laid before the company after 1st October 1975, the corresponding amounts at the end of the immediately preceding financial year for all items shown in the balance sheet other than any item the amount for which is shown—
- (a) in pursuance of sub-paragraph (8), or
 - (b) as an amount the source or application of which is required by paragraph 7 to be shown.

Profit and Loss Account

13. (1) There shall be shown—
- (a) the amount charged to revenue by way of provision for depreciation, renewals or diminution in value of fixed assets;
 - (b) the amount of the interest on loans of the following kinds made to the company (whether on the security of debentures or not),

namely, bank loans, overdrafts and loans which, not being bank loans or overdrafts,—

(i) are repayable otherwise than by instalments and fall due for repayment before the expiration of the period of five years beginning with the day next following the expiration of the financial year; or

(ii) are repayable by instalments the last of which falls due for payment before the expiration of that period; and the amount of the interest on loans of other kinds so made (whether on the security of debentures or not);

- (c) the amount of the charge to revenue for taxes imposed by the Inland Revenue Ordinance and, if that amount would have been greater but for relief from double taxation, the amount which it would have been but for such relief, and the amount of the charge for taxation imposed outside Hong Kong of profits, income and (so far as charged to revenue) capital gains;
- (d) the amounts respectively provided for redemption of share capital and for redemption of loans;
- (e) the amount, if material, set aside or proposed to be set aside to, or withdrawn from, reserves;
- (f) subject to sub-paragraph (2), the amount, if material, set aside to provisions other than provisions for depreciation, renewals or diminution in value of assets or, as the case may be, the amount, if material, withdrawn from such provisions and not applied for the purposes thereof;
- (g) the amounts respectively of income from quoted investments and income from unquoted investments;
- (h) if a substantial part of the company's revenue for the financial year consists in rents from land and buildings, the amount thereof (after deduction of ground-rents, rates and other out-goings);
- (i) the amount, if material, charged to revenue in respect of sums payable in respect of the hire of plant and machinery;
- (j) the aggregate amount of the dividends paid and proposed.

(2) The Financial Secretary may direct that a company shall not be obliged to show an amount set aside to provisions in accordance with sub-paragraph (1)(f), if he is satisfied that that is not required in the public interest and would prejudice the company, but subject to the condition that any heading stating an amount arrived at after taking into account the amount set aside as aforesaid shall be so framed or marked as to indicate that fact.

(3) If, in the case of any assets in whose case an amount is charged to revenue by way of provision for depreciation or diminution in value, an amount is also so charged by way of provision for renewal thereof, the last-mentioned amount shall be shown separately.

(4) If the amount charged to revenue by way of provision for depreciation or diminution in value of any fixed assets (other than investments) has been determined otherwise than by reference to the amount

of those assets as determined for the purpose of making up the balance sheet, that fact shall be stated.

14. The amount of any charge arising in consequence of the occurrence of an event in a preceding financial year and of any credit so arising shall, if not included in a heading relating to other matters, be stated under a separate heading.

15. The amount of the remuneration of the auditors shall be shown under a separate heading, and for the purposes of this paragraph, any sums paid by the company in respect of the auditors' expenses shall be deemed to be included in the expression "remuneration".

16. (1) The matters referred to in sub-paragraphs (2) to (4) shall be stated by way of note, if not otherwise shown.

(2) The turnover for the financial year, except in so far as it is attributable to the business of banking or to business of such other class as may be prescribed for the purposes of this sub-paragraph.

(3) If some or all of the turnover is omitted by reason of its being attributable as aforesaid, the fact that it is so omitted.

(4) The method by which turnover stated is arrived at.

17. (1) The matters referred to in sub-paragraphs (2) to (6) shall be stated by way of note, if not otherwise shown.

(2) If depreciation or replacement of fixed assets is provided for by some method other than a depreciation charge or provision for renewals, or is not provided for, the method by which it is provided for or the fact that it is not provided for, as the case may be.

(3) The basis on which the charge for Hong Kong profits tax is computed.

(4) Any special circumstances which affect liability in respect of taxation of profits, income or capital gains for the financial year or liability in respect of taxation of profits, income or capital gains for succeeding financial years.

(5) Except in the case of the first profit and loss account laid before the company after 1st October 1975 the corresponding amounts for the immediately preceding financial year for all items shown in the profit and loss account.

(6) Any material respects in which any items shown in the profit and loss account are affected—

(a) by transactions of a sort not usually undertaken by the company or otherwise by circumstances of an exceptional or non-recurrent nature; or

(b) by any change in the basis of accounting.

PART II

SPECIAL PROVISIONS WHERE THE COMPANY IS A HOLDING OR SUBSIDIARY COMPANY

Modifications of and Additions to Requirements as to Company's own Accounts

18. (1) This paragraph shall apply where the company is a holding company, whether or not it is itself a subsidiary of another body corporate.

(2) The aggregate amount of assets consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiaries, distinguishing shares from indebtedness, shall be set out in the balance sheet separately from all the other assets of the company, and the aggregate amount of indebtedness (whether on account of a loan or otherwise) to the company's subsidiaries shall be so set out separately from all its other liabilities and—

(a) the references in Part I to the company's investments (except those in paragraphs 12(8) and 13(4)) shall not include investments in its subsidiaries required by this paragraph to be separately set out; and

(b) paragraph 5, sub-paragraph 1(a) of paragraph 13, and sub-paragraph (2) of paragraph 17 shall not apply in relation to fixed assets consisting of interests in the company's subsidiaries.

(3) There shall be shown by way of note on the balance sheet or in a statement or report annexed thereto the number, description and amount of the shares in and debentures of the company held by its subsidiaries or their nominees, but excluding any of those shares or debentures in the case of which the subsidiary is concerned as personal representative or in the case of which it is concerned as trustee and neither the company nor any subsidiary thereof is beneficially interested under the trust, otherwise than by way of security only for the purposes of a transaction entered into by it in the ordinary course of a business which includes the lending of money.

(4) Where group accounts are not submitted, there shall be annexed to the balance sheet a statement showing—

(a) the reasons why subsidiaries are not dealt with in group accounts;

(b) the net aggregate amount, so far as it concerns members of the holding company and is not dealt with in the company's accounts, of the subsidiaries' profits after deducting the subsidiaries' losses (or vice versa)—

(i) for the respective financial years of the subsidiaries ending with or during the financial year of the company; and

(ii) for their previous financial years since they respectively became the holding company's subsidiary;

(c) the net aggregate amount of the subsidiaries' profits after deducting the subsidiaries' losses (or vice versa)—

(i) for the respective financial years of the subsidiaries ending with or during the financial year of the company; and

(ii) for their other financial years since they respectively became the holding company's subsidiary;

so far as those profits are dealt with, or provision is made for those losses, in the company's accounts;

- (d) any qualifications contained in the report of the auditors of the subsidiaries on their accounts for their respective financial years ending as aforesaid, and any note or saving contained in those accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far as the matter which is the subject of the qualification or note is not covered by the company's own accounts and is material from the point of view of its members;

or, in so far as the information required by this sub-paragraph is not obtainable, a statement that it is not obtainable:

Provided that the Financial Secretary may, on the application or with the consent of the company's directors, direct that in relation to any subsidiary this sub-paragraph shall not apply or shall apply only to such extent as may be provided by the direction.

(5) Paragraphs (b) and (c) of sub-paragraph (4) shall apply only to profits and losses of a subsidiary which may properly be treated in the holding company's accounts as revenue profits or losses, and the profits or losses attributable to any shares in a subsidiary for the time being held by the holding company or any other of its subsidiaries shall not (for that or any other purpose) be treated as aforesaid so far as they are profits or losses for the period before the date on or as from which the shares were acquired by the company or any of its subsidiaries, except that they may in a proper case be so treated where—

- (a) the company is itself the subsidiary of another body corporate; and
(b) the shares were acquired from that body corporate or a subsidiary of it;

and for the purpose of determining whether any profits or losses are to be treated as profits or losses for the said period the profit or loss for any financial year of the subsidiary may, if it is not practicable to apportion it with reasonable accuracy by reference to the facts, be treated as accruing from day to day during that year and be apportioned accordingly.

(6) Where group accounts are not submitted, there shall be annexed to the balance sheet a statement showing, in relation to the subsidiaries (if any) whose financial years did not end with that of the company—

- (a) the reasons why the company's directors consider that the subsidiaries' financial years should not end with that of the company; and
(b) the dates on which the subsidiaries' financial years ending last before that of the company respectively ended or the earliest and latest of those dates.

19. (1) The balance sheet of a company which is a subsidiary of another body corporate, whether or not it is itself a holding company,

shall show the aggregate amount of its indebtedness to all bodies corporate of which it is a subsidiary or a fellow subsidiary and the aggregate amount of indebtedness of all such bodies corporate to it, distinguishing in each case between indebtedness in respect of debentures and otherwise, and the aggregate amount of assets consisting of shares in fellow subsidiaries.

(2) For the purposes of this paragraph a company shall be deemed to be a fellow subsidiary of another body corporate if both are subsidiaries of the same body corporate but neither is the other's subsidiary.

Consolidated Accounts of Holding Company and Subsidiaries

20. Subject to the following paragraphs of this Part, the consolidated balance sheet and profit and loss account shall combine the information contained in the separate balance sheets and profit and loss accounts of the holding company and of the subsidiaries dealt with by the consolidated accounts, but with such adjustments (if any) as the directors of the holding company think necessary.

21. Subject as aforesaid and to Part III, the consolidated accounts shall, in giving the said information, comply so far as practicable, with the requirements of this Ordinance as if they were the accounts of an actual company.

22. Sections 161 and 161B shall not, by virtue of paragraphs 20 and 21, apply for the purpose of the consolidated accounts.

23. Paragraph 7 shall not apply for the purpose of any consolidated accounts laid before a company with the first balance sheet so laid after 1st October 1975.

24. In relation to any subsidiaries of the holding company not dealt with by the consolidated accounts—

- (a) sub-paragraphs (2) and (3) of paragraph 18 shall apply for the purpose of those accounts as if those accounts were the accounts of an actual company of which they were subsidiaries; and
(b) there shall be annexed the like statement as is required by sub-paragraph (4) of paragraph 18 where there are no group accounts, but as if references therein to the holding company's accounts were references to the consolidated accounts.

25. In relation to any subsidiaries (whether or not dealt with by the consolidated accounts), whose financial years did not end with that of the company, there shall be annexed the like statement as is required by sub-paragraph (6) of paragraph 18 where there are no group accounts.

PART III

EXCEPTIONS FOR SPECIAL CLASSES OF COMPANY

26. (1) A banking company shall not be subject to the requirements of Part I other than—

- (a) as respects its balance sheet, those of paragraphs 2 and 3, paragraph 4 (so far as it relates to assets), paragraph 9 (except sub-paragraphs (1)(d) and (4)), paragraphs 10 and 11 and paragraph 12 (except sub-paragraphs (7), (8), (9), (11) and (12)); and
- (b) as respect its profit and loss account, those of sub-paragraph (1)(h) and (j) of paragraph 13, paragraphs 14 and 15 and sub-paragraphs (1) and (5) of paragraph 17;

but, where in its balance sheet reserves or provisions (other than provisions for depreciation, renewals or diminution in value of assets) are not stated separately, any heading stating an amount arrived at after taking into account a reserve or such a provision shall be so framed or marked as to indicate that fact, and its profit and loss account shall indicate by appropriate words the manner in which the amount stated for the company's profit or loss has been arrived at.

(2) The accounts of a banking company shall not be deemed, by reason only of the fact that they do not comply with any requirements of Part I from which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Ordinance.

(3) In this paragraph the expression "banking company" means any company which carries on banking business and holds a valid licence granted under the Banking Ordinance authorizing it to do so in the Colony.

(Cap. 155.)

27. (1) An insurance company shall not be subject to the following requirements of Part I, that is to say—

- (a) as respects its balance sheet, those of paragraphs 4 to 7, sub-paragraphs (1)(a) and (3) of paragraph 9 and sub-paragraphs (4), (5) and (7) to (11) of paragraph 12;
- (b) as respects its profit and loss account, those of paragraph 13 (except sub-paragraph (1)(b), (c), (d) and (j)) and paragraph 17(2);

but, where in its balance sheet reserves or provisions (other than provisions for depreciation, renewals or diminution in value of assets) are not stated separately, any heading stating an amount arrived at after taking into account a reserve or such a provision shall be so framed or marked as to indicate that fact, and its profit and loss account shall indicate by appropriate words the manner in which the amount stated for the company's profit or loss has been arrived at:

Provided that the Financial Secretary may direct that any such insurance company whose business includes to a substantial extent business other than insurance business shall comply with all the requirements of Part I or such of them as may be specified in the direction and shall comply therewith as respects either the whole of its business or such part thereof as may be so specified.

(2) Where an insurance company is entitled to the benefit of this paragraph, then any wholly owned subsidiary thereof shall also be so entitled if its business consists only of business which is complementary to insurance business of the classes carried on by the insurance company.

(3) The accounts of a company shall not be deemed, by reason only of the fact that they do not comply with any requirement of Part I from

which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Ordinance.

(4) For the purposes of this paragraph a company shall be deemed to be the wholly owned subsidiary of an insurance company if it has no members except the insurance company and the insurance company's wholly owned subsidiaries and its or their nominees.

28. (1) A shipping company shall not be subject to the following requirements of Part I, that is to say—

- (a) as respects its balance sheet, those of paragraph 4 (except so far as it relates to assets), paragraphs 5, 6 and 7 and sub-paragraphs (7) and (8) of paragraph 12;
- (b) as respects its profit and loss account, those of sub-paragraph (1)(a), (e) and (f) and sub-paragraphs (3) and (4) of paragraph 13 and paragraph 16.

(2) The accounts of a company shall not be deemed, by reason only of the fact that they do not comply with any requirements of Part I from which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Ordinance.

(3) In this paragraph the expression "shipping company" means a company which, or a subsidiary of which, owns ships or includes amongst its activities the management or operation of ships, being a company which satisfies the Financial Secretary that it ought to be treated for the purposes of this paragraph as a shipping company.

29. Where a company entitled to the benefit of any provision contained in this Part is a holding company, the reference in Part II to consolidated accounts complying with the requirements of this Ordinance shall, in relation to consolidated accounts of that company, be construed as referring to those requirements in so far only as they apply to the separate accounts of that company.

PART IV

INTERPRETATION OF SCHEDULE

30. (1) For the purposes of this Schedule, unless the context otherwise requires,—

- (a) the expression "provision" shall, subject to sub-paragraph (2), mean any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy;
- (b) the expression "reserve" shall not, subject as aforesaid, include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability or any sum set

aside for the purpose of its being used to prevent undue fluctuations in charges for taxation;

and in this paragraph the expression "liability" shall include all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.

(2) Where—

- (a) any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, not being an amount written off in relation to fixed assets before 1st October 1975; or
- (b) any amount retained by way of providing for any known liability,

is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision.

31. For the purposes aforesaid,—

- (a) the expression "quoted investment" means an investment as respects which there has been granted a quotation or permission to deal on a recognized stock exchange, or on any stock exchange of repute outside Hong Kong, and the expression "unquoted investment" shall be construed accordingly;
- (b) the expression "lease" includes an agreement for a lease;
- (c) in relation to land in Hong Kong—
 - (i) the expression "long lease" means a lease in the case of which either—
 - (A) the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than fifty years, or
 - (B) if the lease is a renewable Crown lease, the portion of the said term remaining unexpired at the said date when added to the term for which the lessee is entitled to renew the lease amounts to a period of not less than fifty years from the said date;
 - (ii) the expression "medium-term lease" means a lease in the case of which either—
 - (A) the portion of the term for which it was granted remaining unexpired at the end of the financial year is less than fifty years but not less than ten years, or
 - (B) if the lease is a renewable Crown lease, the portion of the said term remaining unexpired at the said date when added to the term for which the lessee is entitled to renew the lease amounts to a period of less than fifty years but not less than ten years from the said date;
 - (iii) the expression "short lease" means a lease which is not a long or a medium-term lease;

(d) in relation to land outside Hong Kong—

(i) the expression "long lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is not less than fifty years,

(ii) the expression "medium-term lease" means a lease in the case of which the portion of the term for which it was granted remaining unexpired at the end of the financial year is less than fifty years but not less than ten years,

(iii) the expression "short lease" means a lease which is not a long or a medium-term lease;

(e) a loan shall be deemed to fall due for repayment, and an instalment of a loan shall be deemed to fall due for payment, on the earliest date on which the lender could require repayment or, as the case may be, payment if he exercised all options and rights available to him.

ELEVENTH SCHEDULE

ACCOUNTS

Preliminary

1. This Schedule has effect in addition to the provisions of sections 161 to 161C of this Ordinance.
2. The authorized share capital, issued share capital, liabilities and assets shall be summarized, with such particulars as are necessary to disclose the general nature of the assets and liabilities, and there shall be specified—
 - (a) any part of the issued capital that consists of redeemable preference shares, the earliest and latest dates on which the company has power to redeem those shares, whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company and whether any (and, if so, what) premium is payable on redemption;
 - (b) so far as the information is not given in the profit and loss account, any share capital on which interest has been paid out of capital during the financial year, and the rate at which interest has been so paid;
 - (c) the amount of the share premium account;
 - (d) particulars of any redeemed debentures which the company has power to reissue.
3. There shall be stated under separate headings, so far as they are not written off,—
 - (a) the preliminary expenses;

- (b) any expenses incurred in connexion with any issue of share capital or debentures;
 - (c) any sums paid by way of commission in respect of any shares or debentures;
 - (d) any sums allowed by way of discount in respect of any debentures; and
 - (e) the amount of the discount allowed on any issue of shares at a discount.
4. (1) Fixed assets, current assets and assets that are neither fixed nor current shall be separately identified.
- (2) The method or methods used to arrive at the amount of the fixed assets shall be stated.
5. There shall be shown under a separate heading the aggregate amount of any outstanding loans made under the authority of provisos (b) and (c) to subsection (1) of section 48.
6. Where any liability of the company is secured otherwise than by operation of law on any assets of the company, the fact that that liability is so secured shall be stated, but it shall not be necessary to specify the assets on which the liability is secured."

Amendment
of Banking
Ordinance.
(Cap. 155.)

23. The Banking Ordinance is amended—

- (a) by deleting section 36 and substituting the following—

"Audit. **36.** (1) Every bank which is a company, and its auditors, shall comply with the provisions of the Companies Ordinance with respect to the audit of a company's accounts, whether or not the bank is incorporated under that Ordinance.

(Cap. 32.)

(2) The Commissioner may appoint another auditor to act with the auditor appointed by a bank in accordance with the Companies Ordinance or, in the case of an unincorporated bank, section 44A."

- (b) in section 37—

(i) by deleting, in subsection (1)(a), "or auditors made pursuant to paragraph (b) of subsection (3) of section 36" and substituting the following—

"made pursuant to section 141 of the Companies Ordinance or section 44A of this Ordinance"; and

(ii) by deleting, in subsection (3), "a general meeting of the shareholders of the company pursuant to para-

graph (b) of subsection (4) of section 36" and substituting the following—

"the company in general meeting in accordance with subsection (1) of section 129D of the Companies Ordinance";

- (c) by inserting the following new section after section 44—

"Auditor. **44A.** (1) Every unincorporated bank shall appoint annually an auditor.

(2) The duties of the auditor so appointed shall be—

- (a) to carry out for the year in respect of which he is appointed an audit of the accounts of the bank;
- (b) to make a report to the directors of the bank on the audited accounts, the balance sheet and the profit and loss account of the bank; and
- (c) in every such report to state—

(i) whether or not all the information and explanations which were in the opinion of the auditor necessary for the purposes of the audit have been obtained;

(ii) whether or not, according to the best of the information and explanations given to him, the balance sheet and profit and loss account referred to in the report give in his opinion a true and fair view of the state of the affairs of the bank at the date of the balance sheet, and of the profit or loss for its financial year, regard being had, *inter alia*, to the provisions of this Ordinance;

(iii) whether or not in his opinion proper books of account have been kept by the bank so far as appears from the audit of the accounts; and

(iv) whether or not in his opinion proper returns, adequate for the purposes of the audit, have been received by him from branches of the bank not visited."; and

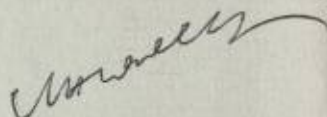
(d) in section 63—

(i) by inserting after paragraph (r) in subsection (1) the following new paragraph—

“(ra) subsection (1) of section 44A;” and

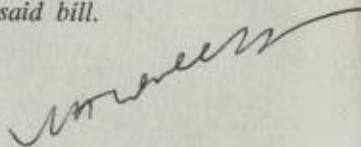
(ii) by deleting subsection (2).

Passed by the Hong Kong Legislative Council this 18th day of December, 1974.



Clerk to the Legislative Council.


This printed impression has been carefully compared by me with the bill, and is found by me to be a true and correctly printed copy of the said bill.



Clerk to the Legislative Council.



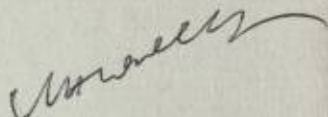
I assent.


Acting Governor.

the following new paragraph—

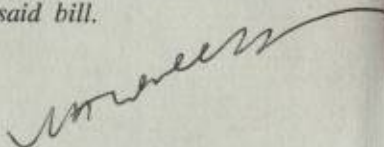
- “(ra) subsection (1) of section 44A;” and
- (ii) by deleting subsection (2).

Passed by the Hong Kong Legislative Council this 18th day of December, 1974.



Clerk to the Legislative Council.

This printed impression has been carefully compared by me with the bill, and is found by me to be a true and correctly printed copy of the said bill.



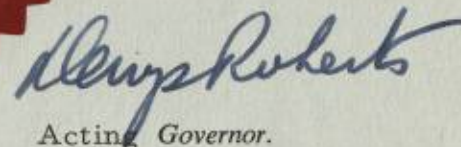
Clerk to the Legislative Council.

HONG KONG

No. 81 OF 1974



I assent.



Acting Governor.

19th December, 1974.

An Ordinance to repeal certain Ordinances.

[20th December, 1974]

Enacted by the Governor of Hong Kong, with the advice and consent of the Legislative Council thereof.

1. This Ordinance may be cited as the Law Revision Short title. (Miscellaneous Repeals) Ordinance 1974.

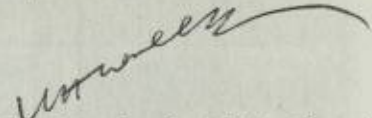
2. The Ordinances specified in the Schedule are repealed. Repeals. Schedule.

SCHEDULE

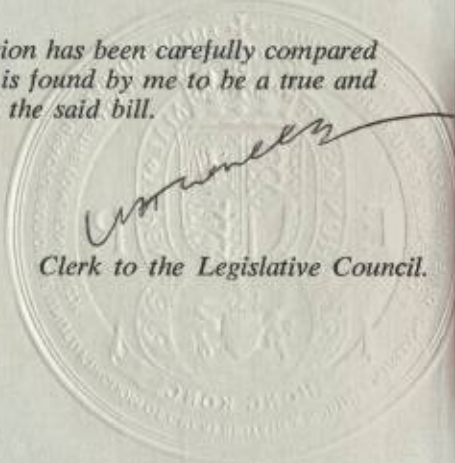
[s. 2.]

<i>Item</i>	<i>Title</i>	
1.	Lighting Control Ordinance.	(Cap. 55.)
2.	Public Servants (Liabilities) Ordinance.	(Cap. 92.)

Passed by the Hong Kong Legislative Council this 18th day of December, 1974.


Clerk to the Legislative Council.


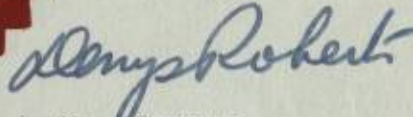
This printed impression has been carefully compared by me with the bill, and is found by me to be a true and correctly printed copy of the said bill.


Clerk to the Legislative Council.

HONG KONG

No. 82 OF 1974

I assent.



Acting Governor.

19th December, 1974.

An Ordinance to amend the Forestry Ordinance.

[20th December, 1974]

Enacted by the Governor of Hong Kong, with the advice and consent of the Legislative Council thereof.

1. This Ordinance may be cited as the Forestry (Amendment) Ordinance 1974.
2. The long title to the principal Ordinance is amended by inserting, after "plants", the following—
" , and to provide for the protection of the countryside".
Amendment of long title. (Cap. 96.)
3. Section 1 of the principal Ordinance is amended by deleting "Forestry" and substituting the following—
"Forests and Countryside".
Amendment of section 1.

Amendment of section 4. 4. Section 4 of the principal Ordinance is amended by deleting "Forestry Officer" and substituting the following—

"Director of Agriculture and Fisheries".

Repeal and replacement of section 16. 5. Section 16 of the principal Ordinance is repealed and replaced by the following—

"Lighting fires in forests, etc.

16. (1) Any person who—

- (a) has lit, or is using a fire which was lit, in or near any forest, plantation, prohibited area or area of open countryside; or
- (b) is in a group of persons using a fire which was so lit, whether or not by any person in the group,

shall be guilty of an offence unless he shows that—

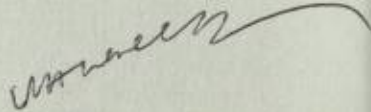
- (i) the lighting of a fire in the place in which the fire was lit was reasonable in all the circumstances; and
- (ii) he took all reasonable steps to prevent the fire from damaging or endangering anything growing in the forest, plantation, prohibited area or area of open countryside.

(2) For the purposes of this section, land shall not be treated as not being open countryside solely by reason of the fact that it is held under lease, licence or permit."

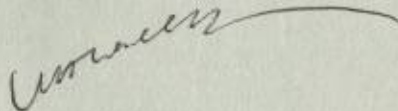
Amendment of section 19. 6. Section 19 of the principal Ordinance is amended by deleting "European officer of the Agriculture and Fisheries" and substituting the following—

"forest officer".

Passed by the Hong Kong Legislative Council this 18th day of December, 1974.


Clerk to the Legislative Council.

This printed impression has been carefully compared by me with the bill, and is found by me to be a true and correctly printed copy of the said bill.


Clerk to the Legislative Council.

HONG KONG

No. 83 OF 1974

51622



I assent.

deputy Roberts
Acting Governor.

19th December, 1974.

An Ordinance to amend the Hong Kong Productivity Council Ordinance.

[20th December, 1974]

Enacted by the Governor of Hong Kong, with the advice and consent of the Legislative Council thereof.

1. This Ordinance may be cited as the Hong Kong Pro- Short title.
ductivity Council (Amendment) Ordinance 1974.

2. Section 5(3) of the principal Ordinance is amended by deleting paragraph (c). Amendment of section 5. (Cap. 1116.)

3. Section 9 of the principal Ordinance is amended by deleting subsection (1) and substituting the following— Amendment of section 9.

“(1) The Council shall consist of not more than 21 members to be appointed by the Governor, of whom—

(a) one shall be appointed by the Governor as Chairman of the Council;

PUBLIC RECORDS OFFICE
OF HONG KONG

H.K.R.S. No. 28

D. & S. No. 16/22