

## Significant change in the presentation of consolidated financial statements under the new Hong Kong Companies Ordinance

*The new Hong Kong Companies Ordinance (Cap. 622) (the "new CO"), which came into effect on 3 March 2014, has introduced various changes to the disclosure of financial statements. Among them, one of the most significant changes is the requirement to present the company-level statement of financial position in the consolidated financial statements as a note rather than as a primary statement as required under the predecessor Hong Kong Companies Ordinance (Cap. 32) (the "old CO").*

*This newsletter provides the details and the consequences of this change.*

### Requirements under the old CO

Section 122(2) of the old CO requires the statement of financial position of the company to be prepared and laid before the company at its annual general meeting. Section 123(1) of the old CO also requires that every statement of financial position and profit and loss account of a company shall give a true and fair view of a company's profit or loss and statement of affairs.

Under the old Co, in practice, in order to provide true and fair view for the consolidated financial statements of Hong Kong incorporated companies, those companies are required to:-

- present the company-level statement of financial position of the holding company as a primary statement; and
- include sufficient notes to the company-level statement of financial position

As the company-level statement of financial position of the holding company is required to be presented as a primary statement to the consolidated financial statements, when giving opinion on consolidated financial statements, auditor is also required to state whether the consolidated financial statements give a true and fair view of the statement of affairs of the company and of the group and of the profit or loss of the group.

### The consequences when stepping into the new CO

Schedule 4, Part 1, section 2 of the new CO states that annual consolidated financial statements must contain the holding company's statement of financial position in the notes to the financial statements. Also, this section sets out that no notes to the financial statements are required to be included for the holding company's statement of financial position.

As a result, for the consolidated financial statements of a Hong Kong incorporated company prepared under the new CO, the company-level statement of financial position of the holding company will be presented in the notes to the consolidated financial statements rather than as a primary statement. No notes to the financial statements are required to be presented for the company-level statement of financial position. In addition, the auditor will give opinion on whether the consolidated financial statements give a true and fair view of the financial position and financial performance of the group only.

Should you wish to discuss the implications of the new CO to the preparation of financial statements, please contact your Moore Stephens director or Gary Cheng of the Technical Department.