

# Experience sharing: on Amending Articles of Association (AoA)



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# 1. New Companies Ordinance and What was to be amended

- Effective 3 March 2014
- Major changes in the Ordinance are made in the following directions:
  - Strengthen corporate governance
  - Reduce the cost of compliance (SME)
  - Abolish Memorandum of Association
  - In line with international benchmarks



# 1. New Companies Ordinance and What was to be amended (Cont'd)

- Longest and most complex pieces of legislation
- AVS's old M&A could no longer cope with the new Ordinance. Amendments are required in the rules regarding Proxy and many other aspects.



## 2. Major Milestones

Date	Events
Sept 2014	Sought legal advice on the effects of the new CO
Nov 2014	Notice of AGM incorporating the Bye-law
Jan 2015	Board meeting approved starting the amendment of AoA
Oct 2015	Companies Registry approved the draft AoA
Dec 2015	Solicitors Advised seeking the approval of Inland Revenue Department (IRD)

## 2. Major Milestones (Cont'd)

Date	Events
Apr 2016	IRD asked the reasons for the new AoA and requested further amendments
May 2016	CR approved the further amendments proposed by IRD
July 2016	IRD informed that the draft AoA is still under <b>second</b> review (it might take 2 months)
3 Aug 2016	IRD proposed further amendments

## 2. Major Milestones (Cont'd)

Date	Events
5 Aug 2016	AVS informed IRD of acceptance of all proposed further amendments and indicated the urgency
Mid Aug 2016	IRD approved the draft AoA We notified CR.
Late Aug 2016	CR approved the draft AoA
22 Sep 2016	Board meeting to call an EGM
17 Nov 2016	EGM to pass the Special Resolution

## 3. Summary of Procedures

Steps	Time Required
1. Board meeting to initiate the process	2 weeks
2. Seek legal advice. Solicitors to draft AoA.	2 months
3. Seek the comments/ approval of CR	6 months
4. Seek the comments/ approval of IRD	
5. Board meeting to call an EGM	2 weeks
6. EGM to pass the Special Resolution	3 weeks



## 4. Major Amendments

- Abolition of Memorandum of Association, which is now incorporated into the AoA.
- Certain changes were proposed by CR/ IRD for the sake of clarity/ certainty.
- Funds shall only subscribed to entities which prohibit the distribution of income and property to members.
- Avoidance of conflict of interest. E.g. renting premises owned by members.



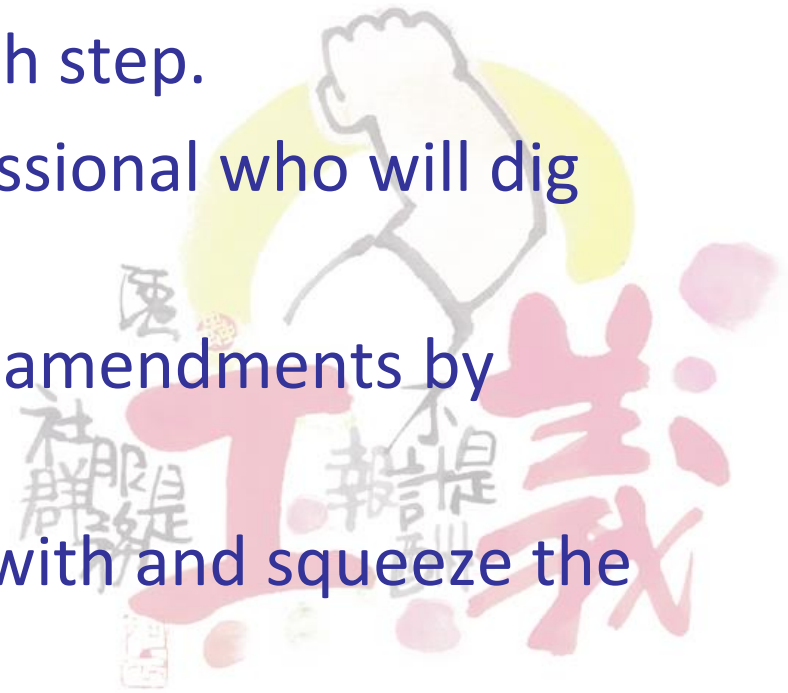
## 4. Major Amendments (Cont'd)

- “Proxy” article to allow members to appoint a proxy to vote at general meeting.
- “Indemnity of Directors” article covers Board directors, not any other officers, and allows only for the furtherance of the objects.
- All EGMs shall be called by 21 days’ notice (not 14).
- Accounting and Audit matters.



## 5. Lessons Learnt

- Plan well. Carefully set the timetable with the aim of convening the EGM at a stipulated time.
- Allow sufficient time for each step.
- Choose the right legal professional who will dig into details.
- Little room for grammatical amendments by management.
- Control the process. Liaise with and squeeze the solicitors/ CR/ IRD.



**Thank you !**

