

Statement 1.600  
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Effective as from 1 August 2020

*Statement 1.600*

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# **Liquidation and Insolvency**

## **Guidance Note (1)**

### **- Scope**



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

**STATEMENT 1.600**

**LIQUIDATION AND INSOLVENCY GUIDANCE NOTE (1) – SCOPE**

(Effective as from 1 August 2020)

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## Introduction

1. This Introduction explains the scope and authority of Liquidation and Insolvency Guidance Notes ("LIGNs") issued by the Institute. It should be read in conjunction with the other LIGNs, to which it forms a collective preface, and with the fundamental principles set out under Chapter E, Section 500 - Professional Ethics in Liquidation and Insolvency of the Institute's Code of Ethics for Professional Accountants ("the Code") at paragraph 500.5. LIGNs should be applied in accordance with the spirit of the Code.
2. The five fundamental principles, under paragraph 500.5 are:
  - (a) *Integrity* – to be straightforward and honest in all professional and business relationships.
  - (b) *Objectivity* – not to compromise professional or business judgements because of bias, conflict of interest or undue influence of others.
  - (c) *Professional Competence and Due Care* – to:
    - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
    - (ii) Act diligently and in accordance with applicable technical and professional standards.
  - (d) *Confidentiality* – to respect the confidentiality of information acquired as a result of professional and business relationships.
  - (e) *Professional Behaviour* – to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.
3. The purpose of LIGNs is to promote and encourage the implementation of high standards in the insolvency profession. The LIGNs provide guidance as to the best practice to be adopted by insolvency practitioners ("IPs") when carrying out professional work relating to liquidation and insolvency appointments including, where appropriate, members' voluntary windings up, having regard to the relevant provisions of the Companies Ordinance (Cap. 622), Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), the Bankruptcy Ordinance (Cap. 6) and the subsidiary legislation (mainly the Companies (Winding-up) Rules (Cap. 32H) and the Bankruptcy Rules (Cap. 6A)). IPs are reminded that LIGNs are issued for the purpose of guidance only and may not be relied upon as definitive statements. They do not affect any responsibilities that may be imposed by law or regulations.
4. An IP, as referred to in these LIGNs, is an individual who has been appointed in respect of an appointment referred to in paragraph 500.4 of the Code, or who provides professional services which may lead to such an appointment.
5. The appointments, under paragraph 500.4 of the Code, include but are not limited to the following appointments, whether in insolvent or solvent estates:
  - (a) liquidator, provisional liquidator, special manager, receiver (or receiver and manager), trustee in bankruptcy, provisional trustee in bankruptcy, nominee of an individual voluntary arrangement;
  - (b) administrator, manager, adjudicator or any other similar role, however described in respect of a scheme of arrangement between a company and its creditors;
  - (c) administrator under the Securities and Futures Ordinance (Cap. 571); and
  - (d) appointments to complete preliminary examinations in bankruptcy cases under the Official Receiver's Office tender scheme.
6. IPs are expected to adopt a professional approach in relation to all insolvency practice, whether or not covered by specific LIGNs. While not exhaustive, the LIGNs listed below, cover some of

the more important areas of insolvency practice and it is envisaged that they will be added to over time:

LIGN (1) – Scope

LIGN (2) – An insolvency practitioner's investigation into the affairs of an insolvent company

LIGN (3) – Preparation of insolvency practitioners' receipts and payments accounts

LIGN (4) – Disqualification of directors – statutory reports

7. IPs are also expected to familiarise themselves with other pronouncements issued by the Institute from time to time which may apply to insolvency practice (e.g., the Code), as well as other relevant pronouncements, such as circulars issued by the Official Receiver's Office.
8. In addition, IPs should ensure, as far as possible, that their acts, dealings and decision-making processes are transparent, understandable and readily identifiable, where to do so does not conflict with any legal or professional obligation.
9. IPs are advised that the court or other regulatory authorities may, when considering the adequacy of the work of an IP, take into account any pronouncement or publication which it thinks may be indicative of good practice. LIGNs are likely to be so regarded. Failure to follow the LIGNs may put an IP at risk in having to justify his/ her actions in answer to a complaint against the IP.
10. While an IP may deal with windings-up of overseas incorporated companies or deal with overseas assets, it should be noted that LIGNs do not purport to cover the requirements that may be imposed by authorities, laws or regulations, in jurisdictions other than the Hong Kong Special Administrative Region.
11. No liability attaches to the Council of the Institute or anyone involved in the preparation or publication of LIGNs.

### **Effective Date**

12. LIGNs (1) – (4), referred to above, are effective as from 1 August 2020.