

# Newsletter

## **THAILAND: DEPARTMENT OF BUSINESS DEVELOPMENT NOTIFICATION ENDS LENIENCY FOR THE POSTPONEMENT OF SHAREHOLDERS' MEETINGS TO APPROVE FINANCIAL STATEMENTS**

During the peak of the Covid-19 pandemic, the Thai authorities introduced several measures designed to prevent an outbreak within the Kingdom. One of the measures implemented was a prohibition on large gatherings, which impacted on the ability of many companies to hold a shareholders' meeting. Under Thai law, the shareholders of a company must approve the company's financial statements no later than four months prior to the end of the fiscal year.

To address the issues arising from the prohibition on large gatherings, the Department of Business Development (the "DBD") issued Notification No. 4 in March 2020 (the "Old Notification"). The Old Notification permitted public and private companies to postpone their shareholders' meetings to approve their financial statements, subject to filing an explanation letter with the DBD.

As a result of additional support measures designed to mitigate complications arising from policies adopted earlier in 2020, the Old Notification became redundant. Therefore, the DBD issued a new Notification on 2 November 2020 (the "New Notification") that no longer permits the postponement of shareholders' meetings to approve financial statements beyond the prescribed deadline (which is four months after the end of their fiscal year).

### **Background**

#### Overview of the Old Notification

In March of 2020 the DBD issued the Old Notification on support measures during the Covid-19 pandemic, which related to meetings of juristic persons (details of the Old Notification can be found at this [LINK](#)). The Old Notification permitted companies to postpone shareholders' meetings which are required to approve the financial statements of a company for the previous fiscal year. Prior to the Old Notification, a shareholders' meeting was required to be held within 4 months after the end of the financial year. Under the Old Notification, a company was also required to provide a clarification letter to the DBD, after holding a delayed shareholders' meeting, providing reasons for the delay.

#### Subsequent regulations

Additional regulations were introduced after the Old Notification was announced. These regulations introduced systems that would allow meetings to be held virtually, via teleconference or through other electronic media. As these regulations now permitted companies to hold such meetings, the purpose of the Old Notification became redundant.

### **Requirements under the New Notification**

The New Notification eliminates measures introduced under the Old Notification allowing companies to delay or postpone shareholders' meetings for the purpose of approving financial statements. Thus, public and private companies postponed the convening the shareholders' meeting under the Old Notification must hold a shareholders' meeting to approve their financial statements within November 30, 2020:

### Key Contacts



Peangnate Sawatdipong  
TEL +66-2-009-5000 Ext. 3316  
[peangnate.s@mhm-global.com](mailto:peangnate.s@mhm-global.com)



Narittaya Kenaupara  
TEL +66-2-009-5000 Ext. 3322  
[narittaya.k@mhmglobal.com](mailto:narittaya.k@mhmglobal.com)



Piyavadee Threepopnartgul  
TEL +66-2-009-5000 Ext. 3315  
[piyavadee.t@mhm-global.com](mailto:piyavadee.t@mhm-global.com)



Sereephap Phoemmongkhonsap  
TEL +66-2-009-5000 Ext. 3317  
[sereephap.p@mhm-global.com](mailto:sereephap.p@mhm-global.com)

### CHANDLER MHM

Chandler MHM Limited  
36th Floor, Sathorn Square Office  
Tower  
98 North Sathorn Road  
Silom, Bangrak, Bangkok 10500  
Thailand  
[www.chandlermhm.com](http://www.chandlermhm.com)

Under the New Notification, companies have been provided with a grace period, but must hold a shareholders' meeting to approve their financial statements by the end of November 2020.

### **Effectiveness and penalties**

The New Notification will become effective on 1 December 2020. Both private and public companies are no longer permitted to postpone shareholders' meetings to approve financial statements beyond a prescribed deadline (which is four months after the end of their fiscal year). Companies that have postponed shareholders' meetings to approve financial statements after fiscal year ended four months, or more, prior to 30 November 2020 are required to convene such shareholders' meetings to approve their financial statements within 30 November 2020. Failure to convene such meetings by 30 November 2020 may result in fines and penalties.

If you have any questions in relation to the issues raised above or related issues please contact the authors listed in the column on the right.



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This publication is intended to highlight an overview of key issues for ease of understanding, and not for the provision of legal advice. If you have any questions about this publication, please contact your regular contact persons at Mori Hamada & Matsumoto or Chandler MHM Limited. If you should have any inquiries about the publications, or would like more information about Chandler MHM Limited, please contact [bd@mhm-global.com](mailto:bd@mhm-global.com).