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Companies Bill Team
Financial Services and the Treasury Bureau
15/F Queensway Government Offices
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For the attention of Mr Darryl Chan & Mr Arsene Yiu

13 January 2012
Your Ref: CBT/14/7/1

Dear Sirs

Companies Bill - Consultation on the Qualifying Criteria for Private Companies to Prepare Simplified Financial and Directors' Reports

We refer to your invitation letter dated 6 December 2011 and addressed to the undersigned concerning the captioned. We are pleased to provide you with our views on the options set out in the Consultation Paper.

We support the overall policy intention of the proposal in the Companies Bill to save compliance costs of private companies, while at the same time maintaining an appropriate level of transparency of companies' business through financial reporting.

We are of the opinion that Option 1 best meets the above-stated objective and large private companies should not be given the option to adopt simplified reporting with members' approval, whether subject to higher size thresholds or not, and that size criteria should be the only test to determine which private companies qualify for such relief.

Cont.../2

Page 2

Certain large private entities may be of public interest as a result of the nature and complexity of their business, the size of their operations, their number of employees, their corporate status or the extent of their external financing. These companies may have a large number of stakeholders including lenders and other creditors, customers and employees in addition to their shareholders. Accordingly, we believe that in addition to shareholders, larger private companies should take into consideration their other stakeholders and the financial statements needs of these other stakeholders.

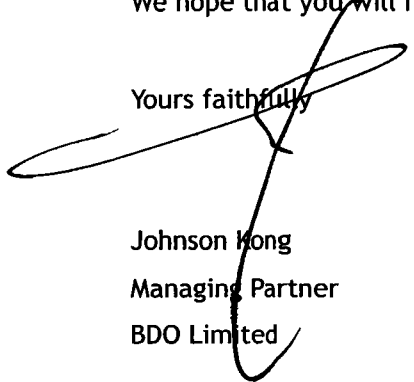
We understand that the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard ("SME-FRF and FRS") is being developed by the Hong Kong Institute of Certified Public Accountants with reference to the characteristics of smaller private companies. In view of this, we would object private companies larger than the desired size to prepare simplified financial statements because the simplified requirements in the SME-FRS and FRS may not be able to provide sufficiently transparent financial information about the business of large private companies to serve the needs of all their financial statements users.

Options 2 and 3 allow larger private companies to prepare simplified financial statements. Therefore we do not support these proposals.

We also believe that large private companies should be able to reduce their compliance costs by adopting Hong Kong Financial Reporting Standard ("HKFRS") for Private Entities. HKFRS for Private Entities is a high quality financial reporting standard which simplifies the requirements of full HKFRS and is specifically designed to meet the needs of these types of companies. In view of the availability of this financial reporting alternative we believe that there is no need to introduce a higher threshold which would allow some larger private companies to adopt SEM-FRF and FRS subject to shareholders' approval as proposed in Option 3.

We hope that you will find our views helpful.

Yours faithfully



Johnson Hong
Managing Partner
BDO Limited