



Your Ref : CBT/14/7/1
Our Ref : Lv001/12

BY FAX (2869 4195) AND BY MAIL

12 January 2012

Mr Nick Au-Yeung
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Financial Services and the Treasury Bureau
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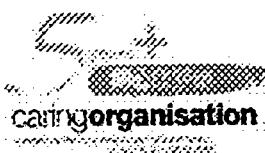
Dear Mr Au-Yeung

Companies Bill (CB) – Consultation on the Qualifying Criteria for Private Companies to Prepare Simplified Financial and Directors' Reports

Thank you for your letter dated 6 December 2011, inviting us to comment on the subject matter.

We have received the following comments from one of our member companies:

- The intention behind the CB, as we see it, is that the government would wish to amend the Companies Ordinance for saving compliance cost of smaller private companies subject to their meeting prescribed qualifications.
- Such smaller private companies shall be automatically exempted from adhering to full IFRS requirements, but be allowed to adopt simplified financial & directors' reporting format instead.
- Three options are presented in the CB for consultation:
 - **Option 1** primarily allows automatic exemption to a private company (except bank, insurance company, stock broking company) which meets two of the three size criteria as follows:
 - (i) total annual income is not more than HK\$50 million,
 - (ii) total assets do not exceed HK\$50 million,
 - (iii) number of employees is not more than 50.
 - **Option 2 and Option 3** are suggested to offer the same exemption respectively to:
 - (a) a larger private company not meeting the aforementioned size criteria, on condition that its members holding at least 75% of its voting rights so resolve and no other member objects,



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(b) a larger private company subject however to a higher threshold.

- We support Option 1 which seeks to provide smaller private companies certain degrees of business flexibility, subject to reasonable limitations.
- We have reservation above Options 2 and Option 3, as financial and directors' report of a private company is important not only to its shareholders, but also to other parties such as creditors and the general public.

Yours truly,

A handwritten signature in black ink, appearing to read 'Alex Chu', is written over a horizontal line.

Alex Chu
Chairman

c.c. Governing Committee Members

AC/iw/sw