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January 15, 2012

The Companies Bill Team
Financial Services and the Treasury Bureau
15/F, Queensway Government Offices
66 Queensway
Hong Kong

Dear Sirs,

Companies Bill – Consultation Paper dated 6 December 2011

I am writing to respond to your request for comments on the qualifying criteria for private companies to prepare simplified financial and directors' reports.

My reaction to the various proposals is to ask the question: what public interest policy are you attempting to comply with by suggesting a modification to the original proposals that were subject to earlier public consultation and generally endorsed at that time? I agree with the view held by Legco that there is very little, if any, public interest at stake in the financial reporting of private companies. In fact, where there is perceived to be public interest this has already been defined in the shape of banking and deposit taking companies, insurance companies and stock-broking companies, which have been excluded from eligibility to prepare simplified financial statements and directors' reports.

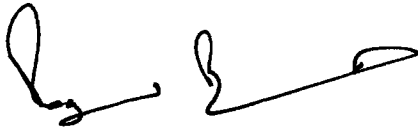
I do agree with your request of the HKICPA to revisit the size criteria in the SME-FRF.

I note that the HKICPA has responded to your consultation paper and have argued that it is a reasonable premise that when any entity exceeds a certain size criteria it becomes economically and socially significant and therefore attracts public interest. That statement may be true, however I fail to see how the financial statements of such companies can, themselves, be of public interest when they are not available to the public. I am also concerned that the HKICPA has a vested interest in promoting the interests of its members and I would suggest that its members are far more interested, for both financial and interest reasons, in having their clients continue to comply with a very complicated suite of standards that are designed primarily for listed companies.

In conclusion, I support Option 2 set out in your Consultation Paper. If it were to be concluded by Legco that the financial statements of private companies do merit some public interest consideration, then I would argue that Option 3 rather than Option 1 should prevail.

I trust that the above comments are of assistance.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a small loop at the end.

Roger Best