

Our Ref.: CC/EL/0039/12

Your Ref.: CBT/14/7/1

16 January 2012

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



**CCIF**

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Dear Sirs

**Comment on Companies Bill regarding the Consultation  
on the Qualifying Criteria for Private companies  
to prepare Simplified Financial and Directors' Reports**

Based on your letter dated 6 December 2011 regarding the invitation for us to provide written views on the qualifying criteria for private companies to prepare simplified financial and directors' reports, as set out in the Companies Bill, we would like to submit our views as follows:

Out of the three options setting out in the Consultation Paper, we support option 3, that is, allowing large private companies / groups with members' approval to adopt simplified reporting, subject to certain size criteria being met (as stated in paragraph 17 to 18 of the Consultation Paper).

However, we would like to change the size criteria back to the original threshold, i.e. only large private companies / groups that satisfies any two of the following conditions -

- (i) total annual revenue of not more than HK\$ 50 million;
- (ii) total assets of not more than HK\$ 50 million;
- (iii) no more than 50 employees

can choose to adopt simplified reporting with the approval of members holding at least 75% of the voting rights and no objection from other members.

We suggest to reduce the threshold from HK\$ 100 million to HK\$ 50 million in (i) and (ii) and 100 employees to 50 employees in (iii) as we consider these can balance the interests from different stakeholders appropriately and discourage abuse of the disclosure requirements by those relatively large enterprises.

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Those enterprises exceeding two of the above requirements (e.g. both annual turnover and total assets exceeding HK\$ 50 million) may become economically and socially significant and thus attract public interests to a certain extent even they are not listed entities. Allowing these over-sized enterprises to adopt SME – FRF and SME – FRS may impact our financial disclosure requirements and unfair to other stakeholders. This may also limit the credibility of their financial reports and the protection of the non-controlling shareholders interests.

Hong Kong is an international financial centre and transparency in reporting is highly encouraged. Those over-sized enterprises with minimal disclosure requirements under SME – FRF and SME – FRS may not provide sufficient information to their trading partners and bankers with an over-simplified reporting mechanism. Bankers may likely to request for additional information and the financial statements might not fully meet the needs of the general users.

Thank you very much for your kind attention.

Should you have any questions, please do not hesitate to contact me at 9488 8339.

Yours faithfully  
For and on behalf of  
CCIF CPA Limited



Chan Wai Dune, Charles  
Managing Director