

Date: 16 January 2012

BY POST

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

Dear Sirs,

Re: Companies Bill – Consultation on the qualifying criteria for private companies to prepare simplified financial and directors' reports

Thank you for your letter dated 6 December 2011 enclosing the consultation paper (the “**Consultation Paper**”). We have considered the three options set out in paragraphs 11 to 21 of the Consultation Paper and we are of the view that Option 2 should be adopted.

We agree that large private companies/groups should be allowed to adopt simplified reporting as long as members holding at least 75% of the voting rights so resolve and no other member objects. Since there is no public interest at stake, we are of the view that it should not be necessary to impose the full Hong Kong Financial Reporting Standard (“HKFRS”) including the HKFRS for Private Entities (“HKFRS-PE”) on such private companies/groups even though they may be larger in size.

We are also of the view that the issue on whether large private companies/groups with members' approval should be allowed to adopt simplified reporting should not be motivated by the opinion of the accounting industry in Hong Kong. In particular, there is no reason that the Hong Kong Institute of Certified Public Accountants should be protecting its own self-interest. We believe that the focus should not be on the auditors' gain but on the decision of the majority of members of such private companies/groups in relation to the type of financial statements (i.e. simplified reporting, HKFRS or HKFRS-PE) they have elected to prepare.

We hope the above will assist the Bills Committee. If you have any questions on the above, please let us know. Further, we do not wish to disclose our name.