

Press release

Conclusions on improving accounting and auditing provisions released

Wednesday, March 26, 2008

The Government today (March 26) released consultation conclusions on proposals to improve the accounting and auditing provisions of the Companies Ordinance.

The three-month consultation, the first of a series of topical consultations in the course of the Companies Ordinance rewrite exercise, was completed in mid-2007 with 32 submissions.

The respondents' views were considered by the Administration in consultation with a working group comprising representatives of the Hong Kong Institute of Certified Public Accountants and relevant government departments.

A spokesman for the Financial Services and the Treasury Bureau said, "Most of the Government's proposals were generally supported by the majority of respondents. However, a significant number of respondents did have reservations about or objections to some proposals.

"After careful consideration, we will either withdraw or modify a few of the proposals. For example, we withdraw the proposal to extend the right to inspect a company's accounting records to managers and company secretaries because of concerns over accountability and confidentiality," he said.

"Another proposal we have decided to withdraw concerns the need for directors' reports to reflect any significant difference in the market value of the company's non-current operating assets and their book value. We do not wish to impose undue burden on directors, especially as Hong Kong's property prices often fluctuate."

"We will also drop the proposal to require directors to make a statement in the directors' report concerning their awareness of all relevant audit information being disclosed to the auditors as this has caused considerable concern.

"Instead, we propose to make a director criminally liable if he intentionally withholds certain material information requested by the auditors," the spokesman said.

"We made some technical changes to the proposals concerning a company's accounting reference period and the criteria for a guarantee company to take advantage of the simplified accounting and reporting requirements currently applicable to some private companies."

The final proposals will be incorporated into the Companies Bill to be issued in the form of a White Bill for further public consultation in mid-2009.

The proposals, when implemented, will save compliance and business costs for small and medium-sized companies and enhance corporate governance in general.

"Public consultations on other issues concerning the Companies Bill will be conducted in the coming months," the spokesman said.

The consultation conclusions and the compendium of the submissions are available at the "Companies Ordinance Rewrite" website (www.fstb.gov.hk/fsb/co_rewrite).