

立法會
Legislative Council

LC Paper No. CB(1)2485/11-12
(These minutes have been seen
by the Administration)

Ref : CB1/BC/3/10/2

Bills Committee on Companies Bill

**Minutes of the sixth meeting held on
Friday, 6 May 2011, at 10:45 am
in Conference Room A of the Legislative Council Building**

Members present : Hon Paul CHAN Mo-po, MH, JP (Chairman)
Hon Starry LEE Wai-king, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon CHAN Kam-lam, SBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Prof Hon Patrick LAU Sau-shing, SBS, JP

Members absent : Hon Albert HO Chun-yan
Hon James TO Kun-sun
Dr Hon Philip WONG Yu-hong, GBS
Hon Miriam LAU Kin-yea, GBS, JP
Hon WONG Ting-kwong, BBS, JP

Public officers attending : **Agenda item I**

Mr John LEUNG, JP
Deputy Secretary for Financial Services and the
Treasury (Financial Services)

Mr Nick AU YEUNG
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services)

Ms Ada CHUNG
Registrar of Companies
Companies Registry

Mrs Karen HO
Deputy Principal Solicitor
(Company Law Reform)
Companies Registry

Ms Phyllis MCKENNA
Deputy Principal Solicitor
(Company Law Reform)
Companies Registry

Mrs Christine Frances SIT
Senior Solicitor (Company Law Reform)
Companies Registry

Mr Tim CHUNG
Solicitor (Company Law Reform)
Companies Registry

Mr Edward TYLER
Senior Assistant Law Officer (Civil Law)
Department of Justice

Miss Selina LAU
Senior Government Counsel
Department of Justice

Mr Ken FUNG
Government Counsel
Department of Justice

Clerk in attendance : Ms Connie SZETO
Chief Council Secretary (1)4

Staff in attendance : Mr KAU Kin-wah
Senior Assistant Legal Adviser 3

Mr Timothy TSO
Assistant Legal Adviser 2

Ms Sharon CHUNG
Senior Council Secretary (1)4

Action

I Meeting with the Administration

Discussion on Part 12 of the Bill

(LC Paper No. CB(1)1879/10-11(03) -- Administration's paper on Part 2 and Part 12 of the Companies Bill)

Discussion on Part 9 of the Bill

(LC Paper No. CB(1)1879/10-11(04) -- Administration's paper on Part 9 of the Companies Bill)

Other relevant papers

(LC Paper No. CB(3)412/10-11 -- The Bill
File Ref: CBT/17/2C -- Legislative Council Brief
LC Paper No. LS26/10-11 -- Legal Service Division Report
LC Paper No. CB(1)1406/10-11(01) -- Paper on Companies Bill prepared by the Legislative Council Secretariat (Background brief))

The Bills Committee deliberated (Index of proceedings attached at the **Appendix**).

Admin 2. The Bills Committee requested the Administration to take the following actions --

Part 12 -- The duty of a company to send a copy of passed written resolution to all members and the auditor within 15 days (Clause 549)

Action

- (a) to provide information about the background and considerations of the legislative amendments (section 116BA) introduced in 2000 to the Companies Ordinance ("CO") which required a company to send a copy of passed written resolution to the auditor;

Part 12 -- A proxy may be elected as the chairperson of the general meeting (Clause 592)

- (b)
 - (i) to provide information and explanation on the parties responsible for legal liability arising from the failure of a proxy, who has been elected the chairperson of a general meeting, to discharge the duties of a chairperson;
 - (ii) to consider specifying in the Bill the legal liability of responsible parties in (i) above;
 - (iii) to provide information on legal requirements and practices in the United Kingdom, Australia and Singapore relating to proxies who are elected chairpersons of companies' general meetings, including the legal liability of concerned parties in the event of failure of the proxies in discharging the duties of the chairpersons;

Part 9 -- Relaxing the criteria for small companies to prepare simplified financial and directors' reports (Clauses 358 to 362 and Schedule 3)

- (c)
 - (i) to provide information on the percentage of the companies in each category which would be eligible for the proposed exemption among all companies in Hong Kong;
 - (ii) to provide a sample of an auditor's report on the financial statement of a small/medium-sized company showing the application of "Small and Medium-sized Entity - Financial Report Standard" ("SME-FRS") in preparing the company accounts;
 - (iii) to provide a hyperlink to the website of the Hong Kong Institute of Certified Public Accountants ("HKICPA") for accessing the "Small and Medium-sized Entity - Financial Report Framework" issued by it;

Action

- (iv) to provide information explaining how the proposal to relax the exemption criteria would strike a balance between protecting the interest of small shareholders and facilitating the business and reducing the compliance cost of small companies;
 - (v) to consider further relaxation in the exemption criteria, e.g. allowing private companies/groups of any size to use simplified financial and directors' reports with the agreement of a certain percentage of members of the company;
 - (vi) to re-consider the criteria for excepting companies from using simplified financial and directors' reports if a certain percentage of members of the company objects to the proposal as a measure to protect the interest of small shareholders;
 - (vii) to provide information on measures/proposals in relation to rights of small shareholders to access accounting records of a company under the Bill for protecting their interests;
- (d) to provide information on the views other than those of HKICPA expressed on the scope of companies qualified to prepare simplified financial and directors' reports during the public consultation on the subject and the relevant response from the Administration.

Part 9 -- Empowering auditors to obtain information from a wider range of persons for the performance of their duties (Clause 403)

- (e) (i) to provide information on past cases/examples under which a person has failed to comply with the requirement to provide information to auditor under the existing CO, including cases involving persons in subsidiary undertakings that were not incorporated in Hong Kong; and
- (ii) to consider providing in the Bill the circumstances under which persons may have a defence for non-compliance with the requirements under Clause 403.

Action

II Any other business

3. The Chairman reminded members that the next meeting of the Bills Committee would be held on Friday, 13 May 2011 at 10:45 am to meet with the Administration.

4. There being no other business, the meeting ended at 12:46 pm.

Council Business Division 1
Legislative Council Secretariat
22 August 2012

Bills Committee on Companies Bill

**Proceedings of the sixth meeting
on Friday, 6 May 2011, at 10:45 am
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000001-000746	Chairman	Opening remarks	
<u>Part 12 -- Company Administration and Procedure</u>			
000747-002155	Administration	Briefing on Part 12 of the Bill -- Company Administration and Procedure (Annex B to LC Paper No. CB(1)1879/10-11(03))	
002156-002256	Mr Jeffrey LAM Chairman	Mr Jeffrey LAM's enquiry on when the outstanding issues of the last meeting would be discussed The Chairman's advice that the outstanding issues would be dealt with at the next meeting	
002257-002736	Mr Jeffrey LAM Administration	Mr Jeffrey LAM's view that the Administration should respond to the concerns raised by members immediately or no later than at the next meeting, and his enquiry on -- (a) whether a proxy at a general meeting would represent a member of the company or the number of shares held by the member (Clause 592); and (b) the restriction, if any, on the right of any person to request a copy of the register of members of a company	

Time marker	Speaker	Subject(s)	Action required
		<p>The Administration's response that --</p> <ul style="list-style-type: none"><li data-bbox="608 344 1222 645">(a) the Administration had prepared a paper on members' queries raised at the last meeting about the formulation of "responsible person", and the Bills Committee could discuss the paper at the next meeting;<li data-bbox="608 689 1222 860">(b) in the case of appointment of multiple proxies, each proxy represented a certain number of shares held by a member;<li data-bbox="608 904 1222 1554">(c) under section 98(1) of the Companies Ordinance ("CO"), the register of members of a company and the index of members' names were open for inspection by any person on payment of a fee; upon receipt of a request for a copy of the register of members, the company must send the copy within 10 days; however, the court had the discretion not to make an order under CO to compel the production of the register if it considered that the purposes of the request amounted to abuse; and<li data-bbox="608 1599 1222 1944">(d) Clause 621(8) of the Bill clarified that the court must not make an order directing a company to provide a copy of the register of members or index of members' names if it was satisfied that the right to request a copy was being abused	

Time marker	Speaker	Subject(s)	Action required
002737-002935	Mr Jeffrey LAM Administration	<p>Mr Jeffrey LAM's enquiry on how the Administration would protect company directors' personal data while encouraging companies to keep their information transparent</p> <p>The Administration's response that --</p> <p>(a) as discussed at the last meeting, a director's residential address and his full identity card number would no longer be required to be made public; and</p> <p>(b) members of the Bills Committee generally agreed to this direction of change</p>	
<u>Clause 592</u>			
002936-003306	Mr Ronny TONG Administration	<p>Mr Ronny TONG's enquiry on --</p> <p>(a) when a proxy, elected as the chairperson of a general meeting, failed to properly perform the role and legal functions of a chairperson of a general meeting, whether the proxy or the member who appointed the proxy would be held responsible; and</p> <p>(b) information on cases in other Common Law jurisdictions relating to the liability of a proxy who had been elected chairperson of a general meeting but had failed to discharge the duties of the chairperson</p> <p>The Administration's response that --</p> <p>(a) Clause 592 of the Bill, which was modeled on the United Kingdom</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>Companies Act 2006 ("UKCA 2006"), expressly provided that a proxy might be elected the chairperson of a general meeting but this was subject to any provisions of the company's articles;</p> <p>(b) the company member who appointed the proxy would be responsible for the acts of the proxy to the extent that such acts were within the scope of duties of the member;</p> <p>(c) if the acts of the proxy in question fell outside the scope of duties of the member concerned, whether the member would be held liable would be subject to the facts and circumstances related to the case; and</p> <p>(d) the Administration was not aware of any case in other Common Law jurisdictions concerning a proxy's failure in performing his duties as chairperson of a meeting</p>	
003307-003634	<p>Mr Ronny TONG Chairman Mr Andrew LEUNG Mr Jeffrey LAM</p>	<p>Mr Ronny TONG's view that the Administration should consider how the issue of liabilities in the situation mentioned above could be handled and his request for the Administration to take the following action --</p> <p>(a) to provide information and explanation on the parties responsible for legal liability arising from the failure of a proxy in discharging the duties of a chairperson of a general meeting;</p>	<p>The Administration to take action as in paragraphs 2(b)(i), (ii) and (iii) of the minutes</p>

Time marker	Speaker	Subject(s)	Action required
		<p>and</p> <p>(b) to consider specifying in the Bill the legal liability of responsible parties in (a) above</p> <p>The Chairman's and Mr Jeffrey LAM's request that the Administration should provide information about the background for introducing the relevant provisions in UKCA 2006, and the legal requirements and practices in the UK, Australia and Singapore relating to proxies who were elected chairpersons of companies' general meetings, including the legal liability of concerned parties in the event of failure of the proxies in discharging the duties of the chairpersons</p> <p>Mr Andrew LEUNG's view that more information about the consequence of electing a proxy to chair a general meeting should be provided</p>	
<p><u>Clause 549</u></p>			
<p>003635-003909</p>	<p>Chairman Administration</p>	<p>The Chairman's enquiry on Clause 549 which required a company to notify its auditor of written resolutions, and the background for adding Section 116BA to CO in 2000, a provision similar to Clause 549</p> <p>The Administration's explanation that the use of written resolutions in the decision making process of a company was becoming more common, and it was considered necessary for auditors to be duly informed of such resolutions</p> <p>The Chairman's request for written</p>	<p>The</p>

Time marker	Speaker	Subject(s)	Action required
		information on the background and considerations for introducing Section 116BA to CO in 2000	Administration to take action as in paragraph 2(a) of the minutes
003910-004459	Chairman Mr Andrew LEUNG Administration	Mr Andrew LEUNG's views that the Administration should provide a comparison table on existing provisions of CO and clauses of the Bill to facilitate members' understanding of the differences in the provisions during the clause-by-clause examination of the Bill	
<u>Part 9 -- Accounts and Audit</u>			
004500-010326	Administration	The Administration's briefing on Part 9 of the Bill -- Accounts and Audit (Annex to LC Paper No. CB(1)1879/10-11(04))	
010327-011349	Mr Ronny TONG Administration Chairman	<p>Mr Ronny TONG's request for the Administration's elaboration on the proposals --</p> <p>(a) for companies to prepare simplified financial and directors' reports; and</p> <p>(b) to exempt auditor reporting on companies preparing simplified financial reports from the "true and fair view" requirement</p> <p>The Administration's explanation that --</p> <p>(a) a simplified financial report referred to a financial report prepared based on the Small and Medium-sized Entity-Financial Reporting Standard ("SME-FRS") promulgated by the Hong Kong Institute of Certified Public Accountants ("HKICPA");</p>	

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		<p>(b) expressing a "true and fair view" meant that the concerned financial report was prepared according to the Hong Kong Financial Reporting Standards ("HKFRSs"), under which the evaluation of a company's immovable properties had been included; and</p> <p>(c) however, SME-FRS adopted a historical cost approach in respect of the value of immovable properties, depreciation of assets was reflected in the financial report but no revaluation of immovable properties was involved, therefore, the concerned auditor could not give an opinion that a financial report prepared according to SME-FRS represented a "true and fair view", the auditor could only declare that the simplified financial report was prepared in compliance with the relevant framework</p> <p>The Chairman's declaration of interest that he was the convenor of the group under HKICPA for preparing SME-FRS some years before</p>	
011350 - 011824	Chairman	<p>The Chairman's advice that --</p> <p>(a) the international accounting standard was fair value based accounting instead of historical cost based accounting, and Hong Kong's accounting standard was in line with the international standard;</p> <p>(b) the international accounting standard mainly catered for listed</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>companies, and was too complicated and costly for SMEs to follow, hence HKICPA, in consultation with trade associations, SME associations and the Inland Revenue Department, had worked out SME-FRS, which was simplified and historical cost based, for the financial reporting of small companies; and</p> <p>(c) the Administration should provide a sample of an auditor's report for the financial statement of a SME showing the application of SME-FRS in preparing the company accounts</p>	<p>The Administration to take action as in paragraph 2(c)(ii) of the minutes</p>
011825-012142	Chairman Mr Ronny TONG	<p>Mr Ronny TONG's enquiry on whether SMEs had to provide financial statements in accordance with a "true and fair view" under Section 141D of CO, and his view that there should be requirements to ensure financial statements of SMEs would be accurate and unbiased</p> <p>The Chairman's advice that --</p> <p>(a) the auditor's report for a financial statement of an SME did not need to meet the "true and fair view" requirement but had to comply with the relevant reporting framework;</p> <p>(b) the guiding principles in the SME-FRF promulgated by HKICPA had addressed the concern of Mr TONG; and</p> <p>(c) the Administration should provide</p>	<p>The</p>

Time marker	Speaker	Subject(s)	Action required
		the hyperlink to SME-FRF to facilitate members in understanding its requirements	Administration to take action as in paragraph 2(c)(iii) of the minutes
012143-012316	Chairman Administration	Responding to the Chairman's enquiry, the Administration advised that the eligibility criteria for small companies to prepare simplified financial reports (i.e. total annual revenue of not more than HK\$50 million, total assets of not more than HK\$50 million, no more than 50 employees) were set out in a Schedule to the Bill and would be amended by notice published in the Gazette.	
<u>Clause 403</u>			
012317-013336	Mr Jeffrey LAM Administration Chairman Senior Assistant Legal Adviser 3 ("SALA3")	Mr Jeffrey LAM's enquiries/concerns about -- (a) whether the Administration had knowledge about the difficulties encountered by companies in meeting the requirement under Clause 403, i.e. empowering auditors to obtain information from a wider range of persons, including an officer or an auditor of a subsidiary undertaking that was not a Hong Kong incorporated subsidiary; (b) whether a company must provide the information required by an auditor under Clause 403, in particular, if its non Hong Kong subsidiaries were unable to provide the information due to restriction imposed by non-Hong Kong	

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		<p>legislation; and</p> <p>(c) whether it was reasonable to require the subsidiary company in (b) to provide the information and to impose criminal sanctions on non-compliant companies under such circumstances</p> <p>The Administration's response that --</p> <p>(a) it understood that there might be restriction for subsidiaries incorporated overseas in meeting the requirements under Clause 403, in such circumstance, the auditor would obtain the required information through the Hong Kong parent company instead of directly from officers/auditors of the overseas subsidiaries;</p> <p>(b) an auditor should only reasonably require information from a company's subsidiary not incorporated in Hong Kong for the performance of his/her duties;</p> <p>(c) under Clause 403(6), if asked by an auditor, a company was only required to take all reasonable steps to obtain the information or explanation as soon as practicable;</p> <p>(d) according to Clause 404 (2), it would be a defence to establish that it was not reasonably practicable for the company to provide the information or explanation required by the auditor, e.g. it was not practicable to obtain the information required by the auditor;</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>(e) if a company had taken all reasonable steps but the information required was not obtained because of restrictions in non-Hong Kong legislation, the company had fulfilled its obligation under clause 403(6); and</p> <p>(f) the Administration would consider members' views on Clause 403</p> <p>Mr Jeffrey LAM's request for SALA3's views on whether the current formulation would provide sufficient protection to a company in situations where the company could not obtain certain information from a non-Hong Kong subsidiary due to restriction imposed by non-Hong Kong legislation</p> <p>SALA3's views that --</p> <p>(a) Hong Kong law had no extra-territorial effect; and</p> <p>(b) if it was Government policy to consider the restriction imposed by non-Hong Kong legislation a defence for non-compliance with Clause 403, this could be expressly provided in the Bill</p> <p>The Chairman's request for the Administration to consider providing in the Bill the circumstances under which persons might have a defence for non-compliance with the requirements under Clause 403</p>	<p>The Administration to take action as in paragraph 2(e)(ii) of the minutes</p>
<p><u>Simplified financial and auditor's reports</u></p>			

Time marker	Speaker	Subject(s)	Action required
013337-013958	Deputy Chairman Administration Chairman	<p>The Deputy Chairman's enquiry on --</p> <ul style="list-style-type: none"> (a) whether there had been any changes on the eligibility criteria for companies to prepare simplified financial reports; and (b) the percentage of companies in Hong Kong which were currently allowed to prepare such reports <p>The Administration's response that --</p> <ul style="list-style-type: none"> (a) under Section 141D of CO, a private company (other than a company which was a member of the corporate group and certain companies specifically excluded) might, with the written agreement of all its shareholders, prepare simplified reports in respect of one financial year at a time; (b) under the Bill, companies meeting the criteria mentioned above (set out in paragraph 7 of the paper (Annex to LC Paper No. CB(1)1879/10-11(04)) would be automatically qualified to prepare simplified financial reports, this was an initiative to facilitate the operation of small businesses; (c) the criteria for Hong Kong companies qualified for preparing simplified financial reports were not set out in CO currently; (d) however, for non-Hong Kong companies, the criteria were similar to those proposed under the Bill (in paragraph 7 of the paper); and 	

Time marker	Speaker	Subject(s)	Action required
		<p>(e) about 90% of the companies in Hong Kong would meet the criteria for preparing simplified reports</p> <p>The Administration's reply to the Chairman's enquiry that companies qualified for preparing simplified reports could opt to adopt the full HKFRSs</p> <p>The Deputy Chairman's enquiry on whether a company could now prepare simplified financial reports if members holding 75% of the voting rights resolved so (with reference to paragraph 11 of the paper)</p> <p>The Administration's response that –</p> <p>(a) during the consultation on the draft Bill conducted in 2010, HKICPA and most major accounting firms had expressed reservations about a proposal at that time to extend the possible use of SME-FRS to private companies/groups of any size, where members holding 75% of the voting rights so resolved and no member objected;</p> <p>(b) the reservations were due to the fact that SME-FRS had been developed essentially for SMEs as an alternative to the full HKFRSs and generally had much simpler accounting requirements; therefore, SME-FRS might not be able to reflect, with the degree of transparency that would be expected, the state of affairs of</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>sizeable companies/groups with more complex accounts;</p> <p>(c) in addition, large and medium-sized companies had two options -- HKFRSs or the Hong Kong Financial Reporting Standards for Private Entities issued by HKICPA, in preparing financial reports; and</p> <p>(d) it was therefore decided that the 75% consent mechanism would not be adopted</p> <p>The Chairman's request for the Administration to provide information on the percentage of the companies in respect of each category of the exempted companies among all companies in Hong Kong</p>	<p>The Administration to take action as in paragraph 2(c)(i) of the minutes</p>
<p><u>Clause 403</u></p>			
<p>013959-014447</p>	<p>Mr Andrew LEUNG Administration</p>	<p>Mr Andrew LEUNG's view that it was harsh to impose criminal liabilities on company directors under Clause 403 for failure to provide an auditor with required information related to the company's subsidiary which was not incorporated in Hong Kong</p> <p>The Administration's response that --</p> <p>(a) under Clause 403(6), a company was only required to take all reasonable steps to obtain the information or explanation required by an auditor as soon as practicable;</p> <p>(b) it would be a defence if there was a reasonable explanation for not being able to obtain the information</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>required by the auditor, for example the provision of the information required was restricted by the legislation of a place outside Hong Kong; and</p> <p>(c) under section 133 of CO, if a company failed to give its auditor the required information related to its subsidiary for the auditor's performance of duties, the company's director/officer committed an offence; whereas under the Bill, the prosecution threshold had been higher as the director/officer was only required to take all reasonable steps to obtain the required information as soon as practicable</p> <p>Mr Andrew LEUNG's views that Clause 403(6) did not allay his concern and the Administration should re-consider the need to impose criminal sanctions for failure to comply with Clause 403</p> <p>Mr Andrew LEUNG's request for the Administration to provide information on past cases/examples under which a person had failed to comply with the requirement of giving the information required by an auditor under the existing CO, including cases involving persons in subsidiary undertakings that were not incorporated in Hong Kong</p>	<p>The Administration to take action as in paragraph 2(e)(i) of the minutes</p>
<p><u>Simplified financial and auditor's reports</u></p>			
<p>014448-014704</p>	<p>Mr Andrew LEUNG Administration</p>	<p>Mr Andrew LEUNG's enquiry on whether the Bill would allow a company to submit simplified financial reports if members holding 100% of the voting</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>rights of the company resolved so, regardless of its size and assets</p> <p>The Administration's response that a company had to meet the eligibility criteria set out in paragraph 7 of the paper (Annex to LC Paper No. CB(1)1879/10-11(04)) in order to be qualified for preparing simplified reports</p>	
014705-015815	Mr Andrew LEUNG Chairman Administration Deputy Chairman	<p>Mr Andrew LEUNG's enquiry about the financial reporting standard a company could adopt if it did not meet the criteria for preparing simplified financial reports but had 100% support from shareholders for making such reports</p> <p>The Chairman's advice that --</p> <p>(a) there were three tiers of financial reporting standards promulgated by HKICPA namely, (i) the first tier -- HKFRSs, which followed international accounting standards, was designed for large public companies, including listed companies, (ii) the second tier -- though based on fair value accounting, was less complex and was issued for large to medium-sized private companies and subsidiaries of listed companies, (iii) the third tier, SME-FRSs, was based on historical cost accounting; and</p> <p>(b) after passage of the Bill, a holding company which satisfied two of the three criteria (i.e. total annual revenue of not more than HK\$50 million, total assets of not</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>more than HK\$50 million, and no more than 50 employees) would be eligible to prepare simplified financial reports; otherwise, the company was required to adopt the first-tier or second-tier standard</p> <p>Mr LEUNG's enquiry/view about --</p> <p>(a) views expressed by parties other than those from HKICPA and major accounting firms; and</p> <p>(b) to facilitate the operation of businesses, companies should be allowed to have a choice between different financial reporting standards, as long as the reports reflected true and fair views of the financial position and financial performance of the company</p> <p>The Administration's response that --</p> <p>(a) the Administration had taken note of various views expressed by different parties during previous consultations, and the proposal aimed to strike a balance between different concerns;</p> <p>(b) while SME-FRS, based on historical cost, was suitable for the financial reporting of SMEs; large and medium-sized private entities could adopt the second-tier standard as explained by the Chairman, which was based on fair value accounting but the compliance cost on the company would be lower than the first-tier international standard; and</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>(c) the preparation of financial and directors' reports should cater for the needs for information of various stakeholders of a company, including creditors, banks and shareholders</p> <p>The Chairman's request for the Administration to consider further relaxation in the exemption criteria, e.g. allowing private companies/groups of any size to use simplified financial reports with the agreement of a certain percentage of members of the company</p> <p>Mr LEUNG's request for the Administration to provide information on the views other than those of HKICPA expressed on the scope of companies qualified to prepare simplified financial and directors' reports during the public consultation on the subject and the relevant response from the Administration</p> <p>The Deputy Chairman's request for information --</p> <p>(a) explaining how the proposal to relax the exemption criteria would strike a balance between protecting the interest of small shareholders and facilitating the business and reducing the compliance cost of small companies; and</p> <p>(b) the measures/proposals in relation to rights of small shareholders to access to accounting records of a company under the Bill for</p>	<p>The Administration to take action as in paragraph 2(c)(v) of the minutes</p> <p>The Administration to take action as in paragraph 2(d) of the minutes</p> <p>The Administration to take action as in paragraphs 2(c)(vii) and 2(c)(iv) of the minutes</p>

Time marker	Speaker	Subject(s)	Action required
		protecting their interests	
015816-020132	Chairman Administration	<p>Members' agreement to extend the meeting for five minutes</p> <p>The Chairman's enquiry on --</p> <p>(a) whether an SME, satisfying the criteria under the Bill for preparing simplified financial and directors' reports, could opt to prepare the full report based on HKFRSs upon request by shareholders; and</p> <p>(b) if (a) was opted for, whether the SME had to prepare, as part of the full report, an analytical and forward-looking business review, which was required for public companies and large private companies</p> <p>The Administration's response that --</p> <p>(a) a company was allowed to adopt a higher standard for financial reporting than the stipulated requirement under the Bill; and</p> <p>(b) an SME qualified to prepare simplified reports was not required under the Bill to include a business review in its directors' report</p> <p>The Administration's response to the Chairman's enquiry that there was no requirement under the Bill for an SME to adopt the full HKFRSs upon request of members holding 25% of the voting rights of the company</p> <p>The Chairman's request for the Administration to re-consider the</p>	<p>The Administration</p>

Time marker	Speaker	Subject(s)	Action required
		criteria for excepting companies from using simplified financial and directors' reports if a certain percentage of members of the company objected to the proposal as a measure to protect the interest of small shareholders	to take action as in paragraph 2(c)(vi) of the minutes
020133-020156	Chairman	Date of next meeting	

Council Business Division 1
Legislative Council Secretariat
22 August 2012