



香港工業總會  
FHKI

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Federation of Hong Kong Industries

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15 May 2012

Honourable Paul Chan  
Chairman  
Bills Committee on Companies Bill  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Mr Chan,

### **Companies Bill – Offences Relating to Contents of Auditor's Report**

Thank you for inviting the Federation of Hong Kong Industries to attend the Bills Committee meeting on 16 May 2012 and give views on the proposed offences relating to contents of auditors report (Clause 399) under the Companies Bill.

Having considered the issues concerned, we are in support of introducing new criminal sanctions against wilful or reckless omission of statements, in an auditor's report, of any significant discrepancy between the financial statements of the company being audited and its accounting records, as well as the auditor's failure to obtain all the essential information and explanations for the purpose of the audit.

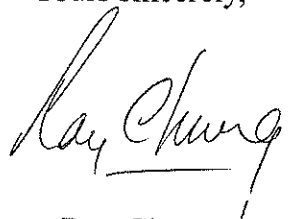
One of the key objectives of the present exercise to rewrite the company law is to enhance corporate governance in Hong Kong. In this regard, auditors have a pivotal role to play as "gatekeepers" and they should discharge their duty with due care and diligence to protect the interests of investors, particularly minority shareholders, against any possible business blunder.

In our view, deliberate omission of important information in an auditor's report amounts to a serious breach of the professional duty on the part of an auditor and may jeopardise the integrity of the entire corporate financial reporting system. Hence, it is justifiable to impose criminal sanctions on such misconduct.

In fact, under the Companies Act in the UK, there are offences similar to the ones being proposed in Hong Kong. We believe the approach taken by the Government to strengthen auditors' reporting obligations is in the right direction and can inspire investors with greater confidence in Hong Kong as an international commercial hub and financial centre.

We hope our views will be useful to the Bills Committee when deliberating on the issue.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Roy Chung". The signature is fluid and cursive, with a horizontal line underlining the name.

Roy Chung  
Chairman

c.c Honourable Andrew Leung