

Ms. Connie Szeto
Clerk to Bills Committee
Bills Committee on Companies Bill
Legislative Council Building
8 Jackson Road
Central
Hong Kong

19th August 2011
Your ref: CB1/BC/3/10

By fax 2840-0797

Dear Ms. Szeto

Proposals on the preparation of simplified financial and directors' reports

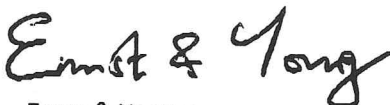
Thank you for your letter dated 28th July 2011 on proposals to further relax the criteria for simplified reporting in Clauses 358 to 362 (under Part 9) and Schedule 3 of the Companies Bill ("the Bill").

As included in our response of 6th August 2010 on the Second Phase Consultation on the Draft Companies Bill, we are in favour of there being only size criteria to be applied to determine when a reporting entity may apply the Reporting Exemption.

As the Hong Kong Institute of Certified Public Accountants ("the HKICPA") has introduced the standard "HKFRS for Private Entities", which is less complex than full HKFRSs and is a financial reporting option available for entities that do not have public accountability (and which would include entities that are not able to adopt the Small and Medium-Sized Entity – Financial Reporting Framework ("the SME-FRF") issued by the HKICPA); we consider that the size criteria for simplified financial and directors' reports currently included in Schedule 3 to the Bill, and which is consistent with the criteria in the SME-FRF, is in general, appropriate at the present time for small entities covered under the Reporting Exemption.

We shall be pleased to further discuss this letter with you at your convenience. For this purpose, please do not hesitate to contact our Professional Practice Partners in Hong Kong, Mr. Tommy Fung or Mr. Paul Hebditch.

Yours sincerely



Ernst & Young

Hong Kong