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From: "Peter Tong"

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Subject: Comment on Draft Companies Bill issued in May 2010

The Clerks to the Bills Committee on Companies Bill

Under existing Companies Ordinance, a private company incorporated under Hong Kong Companies Ordinance can prepare financial statements under S141D (i.e. Eleventh Schedule) if all shareholders consent in writing and there are no size tests as proposed in Part 9, Division 2, clause 9.4 of the Draft Companies Bill.

For a private company which has no public accountability or is not under the category of regulated industry and where all shareholders agree and consent in writing in every financial year to elect S141D under existing Companies Ordinance or prepare financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) under the Draft Companies Bill, it would be cost-savings for the SME as compared with the costs of preparation of financial statements under Hong Kong Financial Reporting Standards (S141 or full gap). Hence the SME in Hong Kong could be more competitive in nowadays escalating costs of doing business in Hong Kong and over the world.

In this connection, I, the undersigned, recommend to allow as before under existing Companies Ordinance a private company to prepare financial statements under SME-FRS if all shareholders agree and consent in writing in every financial year and there are no size tests as mentioned above. Size tests could only be used if not all shareholders agree to elect SME-FRS.

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