



FSTB Consultation Paper on the rewrite of the Accounting and Auditing Provisions of the Companies Ordinance

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1. The proposals in the Consultation Paper are based on the work of the Joint Government/HKICPA Working Group to review the Accounting and Auditing Provisions of the Companies Ordinance (JWG) which was established in 2002 to undertake a comprehensive review of the accounting and auditing provisions of the Companies Ordinance. Attached at **Annex I** is a list of the former and current members of the JWG.
 2. The aims of the rewrite are to make the company law more user-friendly and provide Hong Kong with a modernized legal infrastructure commensurate with its status as a major international business and financial centre. As the first of a series of public consultations, this consultation paper sets out the first set of proposals to improve the accounting and auditing provisions in the Companies Ordinance, for comment by 29 June 2007. There will be further proposals over the next few years as other parts of the Companies Ordinance are reviewed.
 3. The principal proposals are summarized as follows:
 - Providing for an accounting reference date (Chapter 3)
 - Relieving a holding company from the obligation to prepare its own accounts, provided that the company has included its own balance sheet as a note to its group accounts (Chapter 3)
 - Making the directors' report a more forward-looking, analytical and informative document (Chapter 4)
 - Requiring directors to make a statement in the directors' report concerning their awareness of relevant audit information of which the auditors are unaware to ensure that the directors consider carefully whether they have in fact disclosed all such information to their auditors (Chapter 4)
 - Modernizing and streamlining the provisions on directors' remuneration and the introduction of a directors' remuneration report (Chapter 4)
 - Making the provisions regarding summary financial reports more user-friendly (Chapter 5)
 - Enhancing auditors' rights including, inter alia, their access to information, and providing them with qualified privileges for statements made in the course of their duties and in respect of their resignation, while increasing auditors' responsibilities, such as requiring all outgoing auditors to provide a statement of the circumstances (if any) connected with his ceasing to hold office that he considers should be brought to the attention of the members or creditors of the company (Chapter 6)



- Relaxing the restrictive qualifying criteria set out in section 141D of the Companies Ordinance to enable more private companies (including those which are members of a group of companies) to take advantage of simplified reporting and disclosure requirements (Chapter 7)
- Reviewing the relative roles of the accounting disclosure requirements in the Companies Ordinance, such as those in the Tenth Schedule and the Eleventh Schedule, HKFRSs and SME-FRS (Chapter 8)

In total, there are 22 Questions which needs to be answered and these are all set out in Chapter 9 or throughout the whole Consultation Paper.

4. If you would like your comments reflected in the Institute's comments, please send them by 30 May 2007 to commentletters@hki CPA.org.hk .

4 April 2007

Appendix III

List of Former and Current Members of the Working Group

Chairman : Mr. Roger T Best, JP

Current Members :

Nominated by : Mr. Mark C Fong (from January 2005)
HKICPA

Mr. Wilson Y W Fung (from January 2003)

Mr. Peter Griffiths

Ms. Elizabeth Law, MH (from February 2003)

Ms. Patricia McBride (from February 2006)

Ms. Sheila H Pattle (from January 2005)

Mr. John Bernard Wilkinson

Mr. Paul F Winkelmann

Ex-Officio Members: Mr. Gordon W E Jones, JP
(The Registrar of Companies)

Mr. Charles R Grieve
(Director, Corporate Finance
Division of the Securities and
Futures Commission)

Mr. Arthur Au (from November 2006)
(Principal Assistant Secretary for
Financial Services and the
Treasury)

Mr. John C K Wong (from May 2005)
(Chief Treasury Accountant of the
Official Receiver's Office)

Secretary : Miss Anita W S Tong
(Senior Solicitor of the Companies
Registry)

Past Members :

- Nominated by HKICPA : Mr. Stephen S L Chan (from January 2005 to January 2006)
- Ms. Winnie C W Cheung (up to December 2003)
- Mr. Albert K K Li (up to January 2005)
- Mr. Simon Riley (from February 2004 to December 2004)
- Mr. Tai Hay-yuen (up to January 2003)
- Ex-Officio Members: Mr. Esmond C S Lee (up to June 2003)
(Principal Assistant Secretary for Financial Services and the Treasury)
- Ms. Shirley Lam (from September 2003 to August 2004)
(Principal Assistant Secretary for Financial Services and the Treasury)
- Mr. Alan Y K Lo (from September 2004 to March 2006)
(Principal Assistant Secretary for Financial Services and the Treasury)
- Ms. Selene S L Tsoi (from June 2006 to November 2006)
(Principal Assistant Secretary for Financial Services and the Treasury)
- Mr. Aaron C W Cheng (up to January 2003 and from December 2004 to May 2005)
(Chief Treasury Accountant of the Official Receiver's Office)
- Mr. D F Manning (from February 2003 to November 2004)
(Assistant Official Receiver)

