

25 June 2012

Hon. Paul Chan Mo-po, MH, JP  
Chairman  
Bills Committee on Companies Bill  
Room 805 Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

By email (paul.chan@crowehorwath.hk)  
& by post

Dear Sir

**Re: Clause 399 of the Companies Bill**

We have seen the submissions of the Hong Kong Institute of Certified Public Accountants (HKICPA) on clause 399 of the Companies Bill, which will impose a criminal sanction on auditors for knowingly or recklessly omitting certain statements from an audit report where these are deemed necessary.

We share some of the concerns raised by the HKICPA about the practical effects of this clause. In particular, we consider:

- It will not materially benefit the corporate sector or investors.
- It will lead to "defensive" auditing, which will increase costs and not facilitate the setting up of companies in Hong Kong.
- It will create disparities between Hong Kong and non-Hong Kong companies that will affect the competitiveness of the former.
- It will not be applicable to the bulk of the listed company sector, which comprises non-Hong Kong companies. This is inconsistent with promoting fairness and a level playing field in the Hong Kong market.
- In practice, it will place a disproportionate burden on small and medium-sized enterprises, for which costs and cash-flow are critical.
- If, as the audit profession plausibly argues, the ultimate effect of this provision will be to cause good people to leave the profession and to discourage others from joining, this will affect audit quality, which is not in Hong Kong interests.

Overall, therefore, we see clause 399 as offering few, if any, genuine benefits, while having a significant downside risk. Therefore, we would support the HKICPA's request for legislators to reconsider the need for and the terms of this provision.

Yours faithfully,  
For and on behalf of  
Sa Sa International Holdings Limited



Guy Look  
CFO and Executive Director

c.c. Connie Szeto (cszeto@legco.gov.hk)  
Clerk to the Bills Committee

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