



Hong Kong General Chamber of Commerce
香港總商會 1861

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Our Ref: CC175

Ms Patricia McBride
Executive Director
Hong Kong Institute of Chartered Public Accountants
37/F Wu Chung House
213 Queen's Road East
Hong Kong

Dear Ms McBride

International Financial Reporting Standard for SMEs

Thank you for consulting the Chamber in relation to the Proposed IFRS for SMEs by the International Accounting Standards Board.

We have consulted the Chamber's SME Committee and would like to reflect their views as follows.

1. The SMEs have expressed concern over the possible replacement of the current Small and Medium-sized Financial Reporting Framework and Financial Reporting Standard (SME-FRF & SME-FRS) by the IFRS for SMEs. The SME-FRF & SME-FRS were adopted by your Institute only as recently as 2005. SMEs have just adopted to the new simplified accounting system and it would be too hasty to institute another change within two years.
2. The main purpose of SME financial reports is to comply with the requirement of the Internal Revenue Department or to obtain loans. In the former case, tax filing is separate from the audited account. As for loans, banks do not appear keen on the IFRS for SMEs. Hence, we do not see any strong rationale for adopting the latter for Hong Kong.
3. Even with exemptions to the disclosure requirements, the new international standard is likely to become more onerous on SMEs. Given that most SMEs in Hong Kong are genuinely small, as opposed to medium-size, it does not seem necessary to require them to have the same degree of public accountability as one expects of listed companies.
4. Another consideration is that of cost burden for SMEs incurred by the additional work in preparation of audit and financial statements, which is not welcome by SMEs.

We appreciate that convergence with the International accounting standards may help reflect positively on Hong Kong's international image, and we do not necessarily oppose adopting the standard for the long term. However, given that the current SME-FRF & SME-FRS is well in use without problem, the adopting of the IFRS for SMEs might impose additional burdens on SMEs, and that the benefits of the new standard remains to be demonstrated, we believe there is no urgency to adopt the IFRS for SMEs.

Sincerely

A handwritten signature in black ink, appearing to be 'Alex Fong', written over a horizontal line. The signature is stylized and includes a flourish at the end.

Alex Fong
CEO