



Hong Kong General Chamber of Commerce
香港總商會1861

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1 November 2002
Our Ref: SME/CC/309

Dr Lee Kai Fat
Hong Kong Society of Accountants
4/F Tower Two, Lippo Centre
89 Queensway
Hong Kong

Dear Dr Lee

Consultation on a Proposed Framework for Differential Reporting

Thank you for inviting the Chamber to respond to the above consultation paper. We have consulted our Small and Medium Enterprises Committee and would like to submit our comments as follows.

In general, the lower requirement for less disclosure would be welcomed by SMEs. An important principle is that of striking a balance between relaxing disclosure requirement and corporate governance – to ensure that the simplified requirement would not affect the need to adhere to financial discipline and to keep proper books. We have studied the proposed framework and considered that a reasonable balance has been achieved.


We note that the effect of the proposed framework on SMEs might be different between those which require loan facilities and those which do not. There is a feeling among some of our SME members that the collateral-based culture of banks is still prevalent in Hong Kong, which may have an effect on banks' attitude towards financial statements provided by SMEs, e.g. audited accounts may be preferred to cash flow statements. The flexibility suggested in your consultation paper of giving firms the discretion to choose between the existing practice or the new arrangement for financial reporting, may go some way in alleviating the concern. At the end of the day, however, what counts is not just the quality of the report per se, but the quality as perceived and accepted by the users of the financial reports, i.e. banks, financial institutions and Inland Revenue. Regardless of how well the new system is accepted by professional accountants and management, therefore, it is important also to promote acceptance among the credit providing users of these statements. The worst outcome – which should be avoided – would be for the SME to end up preparing two reports, one old and one new; instead of one single simplified report.

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On the specific proposals, we would mention in particular our support for the adoption of property value at cost or at market value (SSAP 13). This would be of great help to SMEs as they would not have to pay extra for a separate evaluation. Furthermore, it would help them maintain bank financing when the property market is weak.

I hope you will find the above comments useful

Yours sincerely



K K Yeung
Chairman
SME Committee