

From: KM Wong  
To: Ms. Connie Szeto  
Sent: 19 June 2012

Dear Ms. Connie Szeto,

**Companies Bill (clause 399)**

I am writing to you to express my deep concern on above.

I am not an accountant in public practice but an accountant in business for over 25 years. Despite so, introducing criminal sanctions on auditors will also impact us negatively.

First of all, this will increase our cost of doing business in Hong Kong which may not be required at the first place. Our audit fee is quite high now. The above change will make it becoming higher.

Auditors will also demand additional work to be performed by client. This mean more workload and headcount/cost at my end.

Importantly, it will lead to defensive auditing. There will be more audit qualifications and requests which will eventually lead to delay in reporting.

In my knowledge, there is no profession in Hong Kong will be held criminally liable in this way, where they may have made mistakes, without any hint of participation in deception of fraud. In fact, they themselves may have been the victims of deception. I have served in the Accountancy Advisory Board of a local university since 2002. I can clearly tell that such change will lead to loss of talents in accounting field as such risk is not existed in other professions like medical, engineering and law.

You may note that such criminal sanction is only applied in relation to the auditors of Hong Kong companies. The effect of clause 399 could well drive more business offshore. I am not sure whether it is the original objective of modernizing the Companies Ordinance at the first place.

I would really encourage the Committee withdraw such a provision.

If you need more details from me, please do not hesitate to contact me.

Yours sincerely,

Kim Man Wong