

To: HKSA (By Fax # 2865 6776)
Date: 31 August 2004
Subject: Comments on Small GAAP Framework

Comments: I think the main purpose of the financial reports is to provide useful and meaningful information to the users for evaluation of performance of the company. However, I don't think full compliance of IAS is efficient nor effective to most companies in Hong Kong. It is particularly critical to Hong Kong companies since more than 90 % of them is SMEs.

In today's challenging environment, especially for SMEs, it is more difficult for them to survive. Every SME is trying to seek ways to stay against the competition from multinational or listed companies. I think there is a need for Small GAAP applied to SMEs rather than full compliance of IAS. For example, the accounting standard for deferred taxation, I can't find this is meaningful to internal or external users of financial reports. This will only a waste of time and manpower for both the accounting staff and auditors of SMEs without getting any benefits.