

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

16 October 2009

Dear Sir

**Consultation Paper on Acceptance of Mainland Accounting and Auditing
Standards and Mainland Audit Firms for Mainland Incorporated Companies
Listed in Hong Kong**

On behalf of ACCA (Association of Chartered Certified Accountants) Hong Kong,
we enclose a copy of the completed questionnaire in respect of the above for
your consideration.

Should you have any questions, please do not hesitate to contact us.

Yours faithfully

Judy Wong
President

Enclosure

RECEIVED 19 OCT 2009

QUESTIONNAIRE ON ACCEPTANCE OF MAINLAND ACCOUNTING AND AUDITING STANDARDS AND MAINLAND AUDIT FIRMS FOR MAINLAND INCORPORATED COMPANIES LISTED IN HONG KONG

We invite interested parties to respond to the Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong, which can be downloaded from the HKEx website at http://www.hkex.com.hk/consul/paper/cp200908_e.pdf.

This Questionnaire contains the Personal Information Collection and Privacy Policy Statement; Part A: General Information of Respondents; and Part B: Consultation Questions.

All responses should be made in writing by completing and returning to HKEx both Part A and Part B of this Questionnaire no later than **23 October 2009** by one of the following methods:

By mail or
hand delivery to

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Re: Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong

By fax to

(852) 2524-0149

By e-mail to

response@hkex.com.hk

Please mark in the subject line:

“Re: Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong”

Our submission enquiry number is (852) 2840-3844.

The name of persons who submit comments together with the whole or part of their submissions may be disclosed to members of the public. If you do not wish your name to be published please indicate so in Part A.

Personal Information Collection and Privacy Policy Statement

Provision of Personal Data

1. Your supply of Personal Data to HKEx is on a voluntary basis. "Personal Data" in these statements has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Cap 486, which may include your name, identity card number, mailing address, telephone number, email address, login name and/or our opinion.

Personal Information Collection Statement

2. This Personal Information Collection Statement is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. It sets out the purposes for which your Personal Data will be used after collection, what you are agreeing to in respect of HKEx's use, transfer and retention of your Personal Data, and your rights to request access to and correction of your Personal Data.

Purpose of Collection

3. HKEx may use your Personal Data provided in connection with this consultation paper for purposes relating to this consultation and for one or more of the following purposes:
 - administration, processing and publication of the consultation paper and any responses received;
 - performing or discharging HKEx's functions and those of its subsidiaries under the relevant laws, rules and regulations;
 - research and statistical purposes; and
 - any other purposes permitted or required by law or regulation.

Transfer of Personal Data

4. Your Personal Data may be disclosed or transferred by HKEx to its subsidiaries and/or regulator(s) for any of the above stated purposes.
5. To ensure that the consultation is conducted in a fair, open and transparent manner, any response together with your name may be published on an "as is" basis, in whole or in part, in document form, on the HKEx website or by other means. In general, HKEx will publish your name only and will not publish your other Personal Data unless specifically required to do so under any applicable law or regulation. If you do not wish your name to be published or your opinion to be published, please state so when responding to this paper.

Access to or Correction of Data

6. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the Personal Data (Privacy) Ordinance. HKEx has the right to charge a reasonable fee for processing any data access request. Any such request for access to and/or correction of your Personal Data should be addressed to the Personal Data Privacy Officer of HKEx in writing by either of the following means:

By mail to: Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Re: Consultation Paper on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong

By email to: pdpo@hkex.com.hk

Retention of Personal Data

7. Your Personal Data will be retained for such period as may be necessary for the carrying out of the above-stated purposes.

Privacy Policy Statement

8. HKEx is firmly committed to preserving your privacy in relation to Personal Data supplied to HKEx on a voluntary basis. Personal Data may include names, identity card numbers, telephone numbers, mailing addresses, e-mail addresses, login names, opinion etc, which may be used for the stated purposes when your Personal Data are collected. The Personal Data will not be used for any other purposes without your consent unless such use is permitted or required by law or regulation.
9. HKEx has security measures in place to protect against the loss, misuse and alteration of Personal Data supplied to HKEx. HKEx will strive to maintain Personal Data as accurately as reasonably possible and Personal Data will be retained for such period as may be necessary for the stated purposes and for the proper discharge of the functions of HKEx and those of its subsidiaries.

Part A General Information of the Respondent

All fields are mandatory, except the fields with an asterisk (*) if you are an individual respondent.

Name / Company Name*	:	ACCA Hong Kong
Contact Person:*	:	Judy Wong
Title*	:	President
Phone Number	:	<input type="text"/>
E-mail Address	:	<input type="text"/>

If you do not wish to disclose the above information to the public, please check the box here:

I do not wish to disclose the information above.

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink: http://www.hkex.com.hk/consul/paper/cp200908_e.pdf.

Where there is insufficient space provided for your comments, please attach additional pages.

Consultation Questions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong

1. Do you agree with the proposed framework?

Yes.

No.

Please state the reasons for your views.

ACCA Hong Kong is of the view that the direction towards the acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong could be fully understood. However, we consider that issues raised in Question 4 are required to be resolved and clarified prior to its implementation.

2. If the proposed framework is adopted, do you agree that the effective commencement date for the new rules should be 1 January 2010 and should apply to annual accounting periods beginning on or after 1 January 2010?

Yes.

No.

Please state the reasons for your views.

We consider that the timeframe is too short for the issues raised in Question 4 to be resolved and clarified, and hence the effective commencement date of 1 January 2010 appears to be impracticable.

3. What are your views on the likely effect of the proposed new Rules to implement the framework (see Appendix 6 to the Consultation Paper)? Please provide qualitative and quantitative data. Please state the reasons for your views.

We do not have particular comments on the proposed changes.

4. Do you have any other comments or suggestions or alternative approaches?

Yes.

No.

Please state the reasons for your views.

Pre-conditions for the scheme

We understand that the proposed scheme is based on the two pre-conditions set out in paragraph 12(c), namely, convergence of CASBE and Mainland auditing standards with the accounting and auditing standards issued by HKICPA, which are based on pronouncements issued by the IASB and the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) respectively; and overall equivalence of the quality assurance or practice review systems over the quality of work of audit firms in Hong Kong and the Mainland based on an assessment made on behalf of the Exchange by HKICPA.

We fully agree that these two pre-conditions are critical to the acceptance of the proposed scheme by the investors. However, at this point in time, it is a general perception that there are uncertainties as to when these two pre-conditions will be satisfactorily fulfilled

Regarding the first pre-condition, we understand that in late 2007, there was a joint declaration between the China Accounting Standards Committee and the HKICPA on the convergence of CASBE and HKFRS, as well as the convergence of Mainland auditing standards with Hong Kong auditing standards. However, it is unclear as to the progress of these convergences up to date. In addition, it appears that there is a lack of track record to provide sufficient comfort regarding effective implementation of the

converged standards.

The second pre-condition although helps to clarify the first pre-condition, is still yet to be proved to exist. In paragraph 63 of the consultation document, it clearly states that "the HKICPA will report to the Exchange on similarities between the two systems". As such, it is still uncertain as to whether the second pre-condition exists, which is however critical to the proposed scheme.

Without these two pre-conditions, it is difficult to provide confidence to investors investing in the Mainland incorporated companies listed on the Hong Kong Stock Exchange.

Differences between the two legal and regulatory systems between HK and the Mainland

We consider the asymmetry between the two legal systems a major issue in the successful implementation of the proposed scheme as this will affect investors' protection as well as the protection of the audit firms. Whether investors will have a recourse action against the auditors cross borders and whether the auditors are covered by sufficient professional indemnity insurance for cross border activities are significant issues arising from the proposed scheme.

When compared with all other jurisdictions set out in Appendix 3 of the consultation document, auditors of annual financial statements of listed issuers and reporting accountants of accountants reports or financial statements included in listing documents have to be registered with and oversight by either the MoF and the CSRC or an independent oversight board. However, in Hong Kong, auditors or reporting accountants of listed issuers only need to be qualified under the PAO, which is regulated by the local statutory body. Apart from having no disciplinary power for auditors or reporting accountants who are found to be involved in any irregularities, the Hong Kong Financial Reporting Council is not required or empowered to exercise independent oversight on auditors or reporting accountants of the listed issuers. This is a very different practice as compared to other jurisdictions. For instance, the PCAOB

of United States is empowered to conduct any examination of auditor's / reporting accountants' work cross border for listed issuers listed on the New York Exchange. We should make reference to the best practice of overseas jurisdictions to close the regulatory gap in order to enhance the quality of the Hong Kong capital market and the reputation of Hong Kong as an international finance centre particularly for cross border listing.

List of approved audit firms

It is unclear in the consultation document as to the criteria for an audit firm to fulfill in order to be included under the list of approved audit firms. We consider that certain critical knowledge such as the listing rules must be included under the criteria. We also consider that it should be transparent for the criteria to be known to the public.

Regarding the approval process, as issuers concerned are listed on the Hong Kong Stock Exchange, we are not sure whether it should only be MOF in conjunction with CSRC to act as the Mainland review authorities for approving Mainland audit firms intending to provide audit and related services to companies incorporated in the Mainland and listed in Hong Kong.

Reciprocal arrangement for a parallel scheme to accept financial statements of Hong Kong companies listed in the Mainland

As for the reciprocal arrangement, it is unclear in the consultation document whether there will be a list of approved Hong Kong audit firms to act as reporting accountants. Should it be yes, we also consider that the criteria, such as knowledge of the securities law in the Mainland, as well as the approval process should be transparent to the public.

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