

23 October 2009

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

To whom it may concern:

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

Thank you for the opportunity to comment on the Consultation Paper on *Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (New Framework)*. CPA Australia has considered the New Framework and our comments follow.

Hong Kong regulating authorities are proposing a new framework to accept the use of Mainland accounting and auditing standards and Mainland audit firms endorsed by the Ministry of Finance and the China Securities Regulatory Commission by Mainland incorporated companies listed in Hong Kong, to be effective on 1 January 2010. Regulators believe that this will expand the choice of accounting standards and audit firms for Mainland incorporated listed issuers, increase market efficiency, reduce compliance costs, promote more timely disclosure of information to investors and give investors sufficient protection, while recognizing the convergence of Mainland accounting and auditing standards with international standards.

This survey gauged the acceptance of the proposed New Framework by members. Although the respondents are concerned with the transitional arrangements of the New Framework, the majority agree that the New Framework will bring business opportunities for Hong Kong-based CPA firms in the Mainland and provide new opportunities for cooperation between Hong Kong-based and Mainland auditors. More than half of them (60%) also believe its implementation will lead to an overall increase in the number of Mainland incorporated companies seeking listings in Hong Kong.

To provide an appropriate response that will reflect the views of our members in Hong Kong, we conducted a survey in September 2009 and a total of 100 responses were received. The respondents were members working in public practice and business in Hong Kong. We sincerely hope that the HKEx will take our survey findings into consideration when enacting the new framework with regard to the acceptance of Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong.

SURVEY FINDINGS

Based on the survey conducted, below are some key findings:

1. 50% of respondents agree with the proposed New Framework.
2. Over 53% of the respondents believe the most appropriate date for commencement of the New Framework is after the year 2013.

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3. 56% of the respondents believe the implementation of the New Framework will reduce business opportunities for the area of Public Practice in the Hong Kong accounting industry.
4. 82% of the respondents expect there will be an increasing number of Hong Kong-based CPA firms establishing their business or presence in the Mainland. Also, over two-thirds believe there will be new opportunities for cooperation between Hong Kong-based and Mainland auditors as a result of the implementation of the New Framework.
5. 60% of the respondents believe the implementation will result in an overall increase in the number of Mainland incorporate companies seeking listings in Hong Kong.
6. More than half of the respondents (54%) forecasted the overall level of investor protection in Hong Kong will be reduced with the adoption of the New Framework. On the contrary, the majority of the respondents (84%) believe the overall level of investor protection in the Mainland will remain the same or be improved.
7. The majority of the respondents (83%) believe investors and market participants in Hong Kong are not familiar with China Accounting Standards for Business Enterprises (CASBE).
8. The majority of the respondents (79%) believe that investors will lack confidence with respect to the effectiveness of the Mainland's current quality assurance or practice review framework in monitoring the overall quality of audit work performed by Mainland auditors on Mainland incorporated companies listed in Hong Kong. In addition, 67% of the respondents believe that there is inadequate protection of investor rights on disciplinary actions against auditors for Mainland incorporated companies listed in Hong Kong under the New Framework.

OUR RECOMMENDATIONS

1. To ensure a smooth transition in the implementation of the New Framework, we recommend that an interim measure be introduced, whereby Mainland incorporate companies listed in Hong Kong whose reported financial statements are currently reported under CASBE are to include the pro-forma values of net profit after tax and net asset value based on HKFRS for comparison. This measure should be implemented for a period of three years from first year of implementation.
2. To improve investor and market participants familiarity with CASBE we recommend the HKEx consider the introduction of relevant investor education.
3. To facilitate cooperation between Hong Kong-based and Mainland auditors and to help Hong Kong-based CPA firms establish their business and presence in the Mainland, a number of recommendations can be considered:
 - a. Establish a channel for Hong Kong-based CPA firms to apply to the Ministry of Finance of China and the China Securities Regulatory Commission for approval to act as auditor or reporting accountant for a PRC incorporated company listed in Hong Kong;
 - b. Have the Ministry of Finance of China and the China Securities Regulatory Commission grant a special or temporary license to Hong Kong-based CPA firms to perform audit on Mainland incorporated companies listed in Hong Kong.

4. To ensure an overall equivalence of the quality assurance and practice review systems over the quality of work of audit firms in Hong Kong and the Mainland, we recommend that vetting authorities include these criteria in setting the requirement for audit firms which intend to provide audit work to listed issuers:
 - a. Number of qualified CPAs employed by the audit firm
 - b. Experience in auditing listed companies
 - c. History of any disciplinary action against the audit firm
 - d. Adequacy of engagement risk assessment

The system and processes of the on-going quality assurance and practice review in the Mainland should at least be the equivalent of that in place in Hong Kong.

About CPA Australia

CPA Australia is one of the world's largest professional accounting bodies. Membership of the organisation currently stands at 122,000, of which more than 25,000 are based in Hong Kong, Singapore and Malaysia. The Hong Kong China Division has more than 11,000 members. For the past 50 years, our members have played an important role in enhancing professional, educational, business and trade opportunities between Hong Kong, Mainland China and Australia.

We would be pleased to address any questions you may have from our survey findings and comments above. Meanwhile, if you require any further information, please contact Ms Deborah Leung, Director, CPA Australia Hong Kong China Division at

A copy of this submission will also be sent to Mr John Tsang, Financial Secretary and Prof KC Chan, Secretary for Financial Services and the Treasury Bureau, for reference.

Yours sincerely,

Peter Lee FCPA (Aust.)
Vice President
CPA Australia – Hong Kong China Division

Encl.

1. Full Report of "On Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong
2. Questionnaire of the Survey



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

The Hong Kong Exchanges and Clearing Limited (HKEx) has recently issued a consultation paper to obtain market's views on a proposed framework to accept financial statements prepared under the Mainland accounting and auditing standards and audited by Mainland audit firms for Mainland incorporated companies listed in Hong Kong [Please refer to the appendix for details]. We are seeking opinions from the accounting professionals on the proposed New Framework.

Background and Demographics

A. Age

Under 30	31-40
41-50	Over 50

B. Gender

Male	Female
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C. For how many years have you been working in accounting or finance etc?

5 years or less	6 to 10 years
11 to 15 years	16 to 20 years
Over 20 years	

D. Where do you currently live?

Beijing	Guangzhou
Shanghai	Hong Kong
Others (please specify): _____	

E. What is your current membership category?

Associate	Certified Practising Accountant
Fellow	

Current Employment

F. *What industry section does your company belong to?*

I'm not currently working (skip next section)

SME (skip next section)

Corporate (skip next section)

Public Practice (continue)

Others (please specify): _____

G. *What type of Public Practice firm do you currently work for?*

Big 4

Small / Medium Practitioners with Mainland establishments

Small / Medium Practitioners without Mainland establishments

H. *Is your practice involved in any engagements with listed clients?*

Yes

No

I. *What is the size of your company / practice*

Less than 50 staff

50 to 100 staff

101 to 500 staff

Over 500 staff

J. *What is the size of your company / practice that you work in?*

Local Corporation (Hong Kong)

Foreign Corporation (non-Hong Kong)

The New Framework

1. Do you agree with the proposed New Framework?

Yes

No

2. What is the most appropriate commencement date for the proposed New Framework?

Jan 2010

Jan 2011

Jan 2012

Jan 2013

After 2013

3. How do you believe the New Framework will impact on Public Practice's in Hong Kong in the short term (under 3 years)?

- | | |
|-----------------------------|-----------------------------|
| More business opportunities | Less business opportunities |
| Remain unchanged | |

4. How do you believe the New Framework will impact on Public Practice's in Hong Kong in the long term (more than 3 years)?

- | | |
|-----------------------------|-----------------------------|
| More business opportunities | Less business opportunities |
| Remain unchanged | |

5. Currently there are 49 Hong Kong based CPA firms with businesses or establishments in the Mainland. Do you expect this number will increase in the near future?

- | | |
|-----|----|
| Yes | No |
|-----|----|

6. Do you think that there will be new opportunities of co-operation between Hong Kong and Mainland auditors with the implementation of the New Framework?

- | | |
|-----|----|
| Yes | No |
|-----|----|

7. Please provide recommendations on how to assist Hong Kong based CPA firms to benefit from the implementation of the New Framework. (You can select more than one option)

- Allow Hong Kong based CPA firms to be registered and approved by the Ministry of Finance of China and the China Securities Regulatory Commission
- Grant special license to Hong Kong based CPA firms to perform audit on Mainland incorporated Hong Kong issuers
- To explore and promote opportunities for collaboration among CPA firms in Hong Kong and the Mainland
- Others (please specify): _____

8. What are the most likely impacts on the Hong Kong market? (You can select more than one option)

- An overall increase of mainland incorporated companies to be listed in Hong Kong
- An overall increase in market turnover and volume in the Hong Kong stock market
- An overall increase in foreign capital inflow into the Hong Kong stock market
- An overall increase in Hong Kong's competitiveness as a regional financial hub
- Provide additional fund raising channels for Hong Kong incorporated issuers
- An overall increase of Mergers & Acquisitions

9. After the commencement of the New Framework, what is the expected number of Mainland incorporated companies seeking primary listings in Hong Kong in the following 12 months, due to the implementation of New Framework?

(According to the statistics provided by HKEx, the numbers of new Mainland incorporated companies listed in Hong Kong in 2006[20], 2007[9], 2008[7] and 2009[1].)

0-10	11-20
21-30	>30
Don't know	

10. After the commencement of the New Framework, what is the expected number of Hong Kong incorporated companies seeking listings in the Mainland in the following 12 months, due to the implementation of the New Framework?

0-10	11-20
21-30	>30
Don't know	

11. With the adoption of the New Framework, would you expect the overall level of investor protection in Hong Kong to:

Remain the same	Be improved
Be reduced	

12. With the adoption of the New Framework, would you expect the overall level of investor protection in the Mainland to:

Remain the same	Be improved
Be reduced	

13. Do you believe investors and market participants in Hong Kong are familiar with the Mainland Accounting / Auditing Standards?

Yes	No
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14. Do you believe investors and market participants in the Mainland are familiar with the Hong Kong Accounting / Auditing Standards?

Yes	No
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15. Do you believe that investors will be confident that the existing quality assurance or practice review framework will be adequate to monitor the overall quality of audit work performed by the Mainland Audit firms on Hong Kong listed issuers incorporated in the Mainland?

Yes	No
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**16. Please give recommendations on how to ensure the overall quality of audit work by Mainland Audit firms on Hong Kong listed issuers incorporated in the Mainland.
(You can select more than one option)**

To set size and quality criteria for Mainland Audit firms to audit the Hong Kong listed issuers incorporated in Mainland.

To establish a regulatory framework to investigate and discipline the Mainland Audit firms which breach quality assurance standard.

To provide a platform to Hong Kong investors to appeal to Mainland regulatory authorities.

To provide a platform to Mainland investors to appeal to Hong Kong regulatory authorities.

Others (please specify): _____

17. Under the proposed New Framework, disciplinary proceedings against Hong Kong and Mainland auditors are the responsibilities of HKICPA and MOF/CSRC respectively. Do you believe this provides adequate investor rights on disciplinary actions against auditors:

16.1 in the case of Mainland incorporated listed issuers?

Yes

No

16.2 in the case of Hong Kong incorporated listed issuers?

Yes

No

18. Do you believe the New Framework promotes more timely disclosure of information to investors to enable them to make informed and timely investment (including Hong Kong incorporated and Mainland incorporated companies)?

Yes

No

19. How much impact do you believe the adoption of the New Framework will have on narrowing the discrepancy of share price between A-Shares and H-Shares of a Mainland incorporated listed issuer?

Significant

Fairly significant

Not significant

**- END OF SURVEY -
THANK YOU**



At the push of this button, a copy of the survey will be prepared in a new email message to be delivered to hk@cpaaustralia.com.au. You could also save / print a copy of the survey for web-based email or by fax on +852 2832 9167.

Appendix:

Introduction

1. The Stock Exchange of Hong Kong Limited (the "Exchange"), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited ("HKEx") is seeking the market's views on proposals to accept financial statements prepared under Mainland accounting standards and audited by Mainland auditors for Mainland incorporated companies listed in Hong Kong.
2. This consultation paper explains the proposed framework. The framework applies only to companies incorporated in the Mainland which prepare financial statements (for IPOs, annual reports and circulars and other regulatory reports) using China Accounting Standards for Business Enterprises ("CASBE") and audited with China Auditing Standards. The proposals will also allow certain Mainland audit firms approved and registered with the Ministry of Finance ("MOF") of China and the China Securities Regulatory Commission ("CSRC") to act as reporting accountants and auditors of Mainland incorporated companies listed in Hong Kong.
3. As a reciprocal arrangement, the Mainland would operate a parallel scheme. The Mainland scheme would be applicable to companies incorporated or registered in Hong Kong preparing financial statements (for IPOs, annual reports and circulars and other regulatory reports) using Hong Kong Financial Reporting Standards ("HKFRS") or International Financial Reporting Standards ("IFRS") and audited by Hong Kong audit firms registered with the Hong Kong Institute of Certified Public Accountants ("HKICPA") using Hong Kong Standards on Auditing or International Standards on Auditing.
4. The Exchange considers it appropriate to consult on the above proposed new framework (New Framework) that has been developed. The framework is a joint effort of the Hong Kong regulators with input from representatives from the Financial Services and Treasury Bureau ("FSTB"), the SFC, the Financial Reporting Council ("FRC"), the HKICPA and the Exchange. The MOF and CSRC provided views and input from the Mainland side.

Background

- 1) Over the past several years an increasing number of jurisdictions have adopted or are converging their national accounting standards to International Financial Reporting Standards ("IFRS"). Hong Kong Financial Reporting Standards ("HKFRS") became fully converged with IFRS as from 1 January 2005 and the International Accounting Standard Board's ("IASB") website indicates that as at 30 June 2009 more than 100 countries require, permit the use of, or have a policy of convergence with, IFRS. These countries include the world's major stock markets in Europe, the United Kingdom, Australia and the United States.
- 2) In the past, accounting standards in the Mainland were substantially different from HKFRS and IFRS. However, in February 2006, the MOF announced the implementation of new Mainland accounting standards that brought substantial convergence between Mainland accounting standards and IFRS. With effect from 1 January 2007, all companies incorporated and listed on the Mainland stock exchanges must apply the new Mainland accounting standards.
- 3) On 6 December 2007, the China Accounting Standards Committee and the Hong Kong Institute of Certified Public Accountants ("HKICPA") signed a joint declaration on the convergence of (China Accounting Standards for Business Enterprise ("CASBE") and HKFRS effective on that date. The parties declared their commitment to maintain convergence of CASBE and HKFRS on an ongoing basis.
- 4) On the same date the China Auditing Standards Board and the HKICPA signed a joint declaration on the convergence of Mainland auditing standards with Hong Kong auditing standards and similarly declared their commitment to maintain convergence of their auditing standards on an ongoing basis.
- 5) In the light of the joint declarations, regulators in the Mainland and Hong Kong agreed to explore and develop a framework to facilitate acceptance of financial reports prepared under accounting standards and audited standards of one jurisdiction for listing in the other jurisdiction.

6) The Hong Kong regulators believe that the proposals would:

- a. Provide Mainland incorporated listed issuers with alternative accounting standards and audit firms that may be used;
- b. Increase market efficiency and reduce compliance costs of Mainland incorporated companies listed in Hong Kong;
- c. Promote more timely disclosure of information to investors to enable them to make informed and timely investment decisions; and
- d. Provide sufficient investor protection.

About this survey

The Hong Kong Exchanges and Clearing Limited (HKEx) has recently issued a consultation paper to obtain market's views on a proposed framework to accept financial statements prepared under the Mainland accounting and auditing standards and audited by Mainland audit firms for Mainland incorporated companies listed in Hong Kong.

Your input is critical to the integrity of our survey findings and will help formulate sound recommendations to the HKEx. All responses will be kept in strict confidence. **Survey closes on 28 September 2009.**

For details of the Consultation and related information, please visit:
http://www.hkex.com.hk/consult/paper/cp200908_e.pdf.

Further information about this survey, please contact CPA Australia Hong Kong China Division:

Email: hk@cpaaustralia.com.au

Telephone: +852 2891 3312

Published on 11 September 2009

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

Report

Survey Objective:

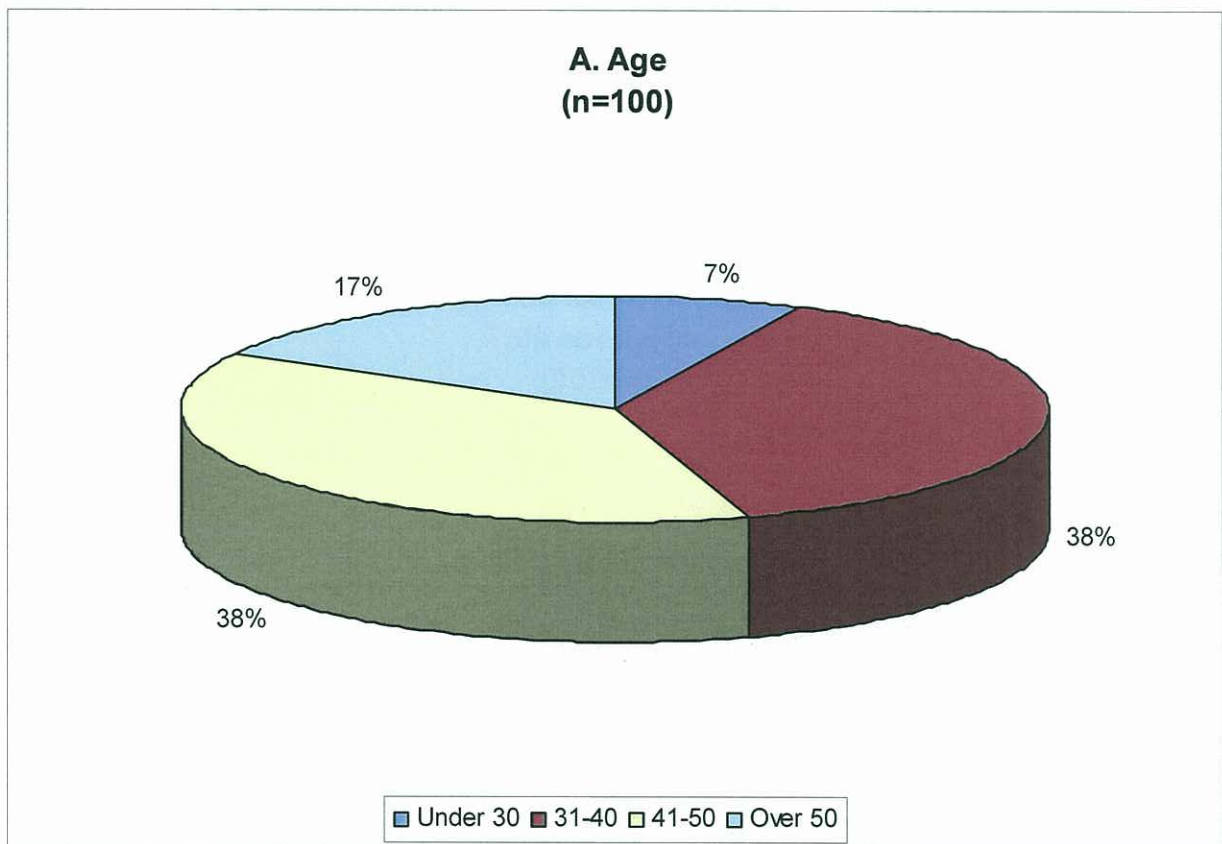
The Hong Kong Exchanges and Clearing Limited (HKEx) has recently issued [a consultation paper](#) to obtain market's views on a proposed framework to accept financial statements prepared under the Mainland accounting and auditing standards and audited by Mainland audit firms for Mainland incorporated companies listed in Hong Kong.

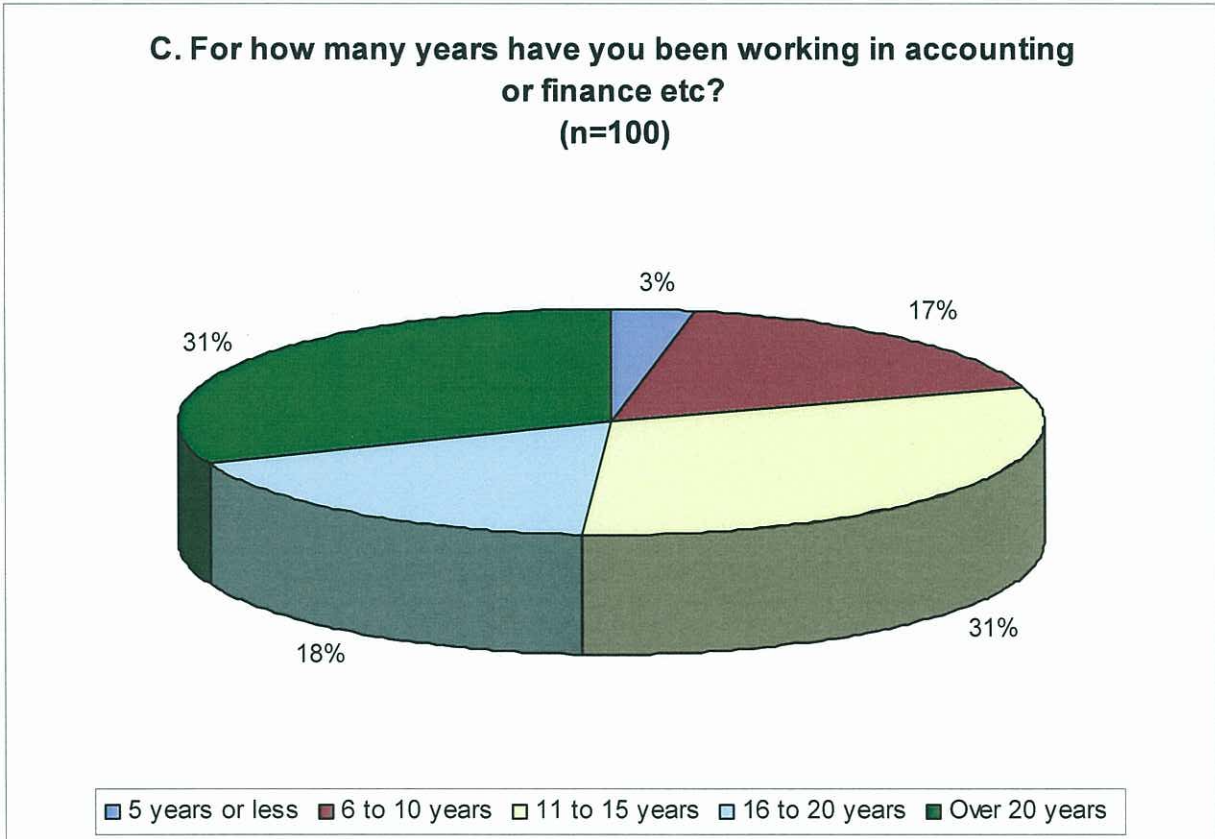
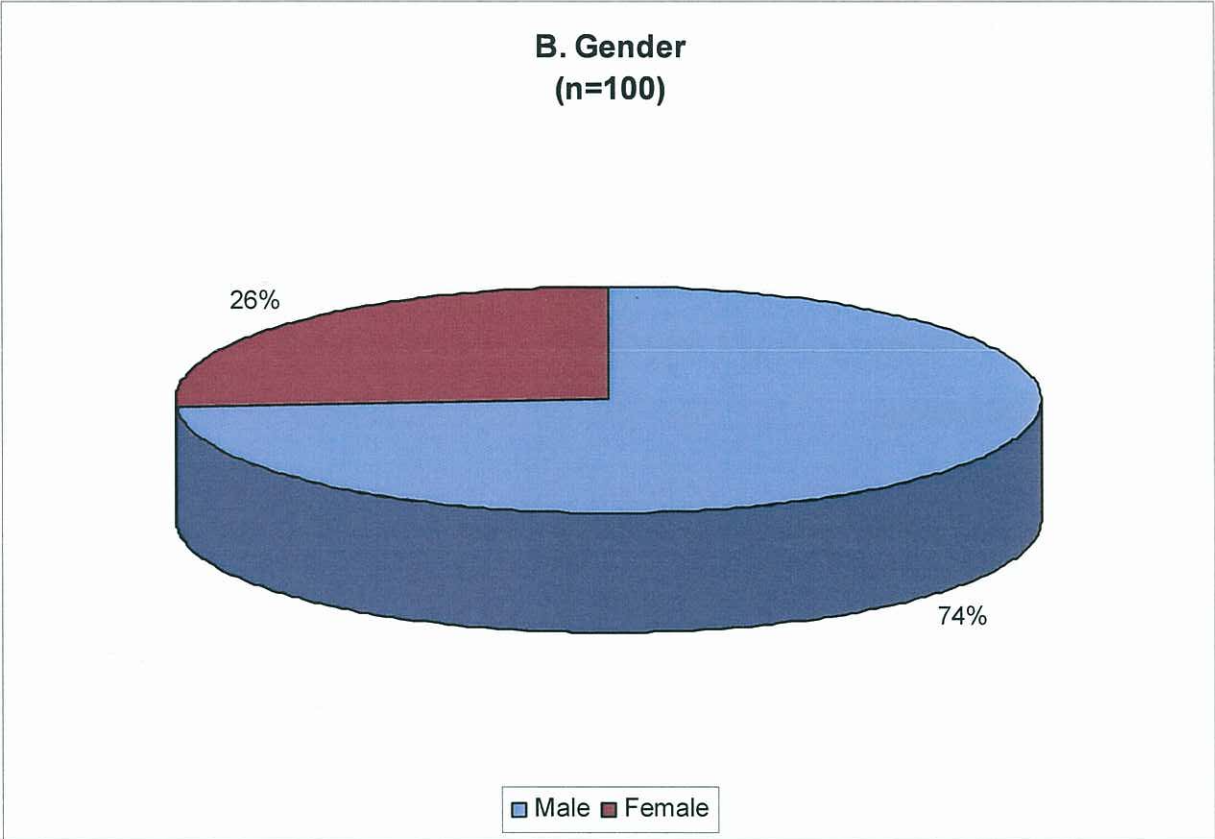
We sought opinions from the members of CPA Australia on the view of the proposed new framework.

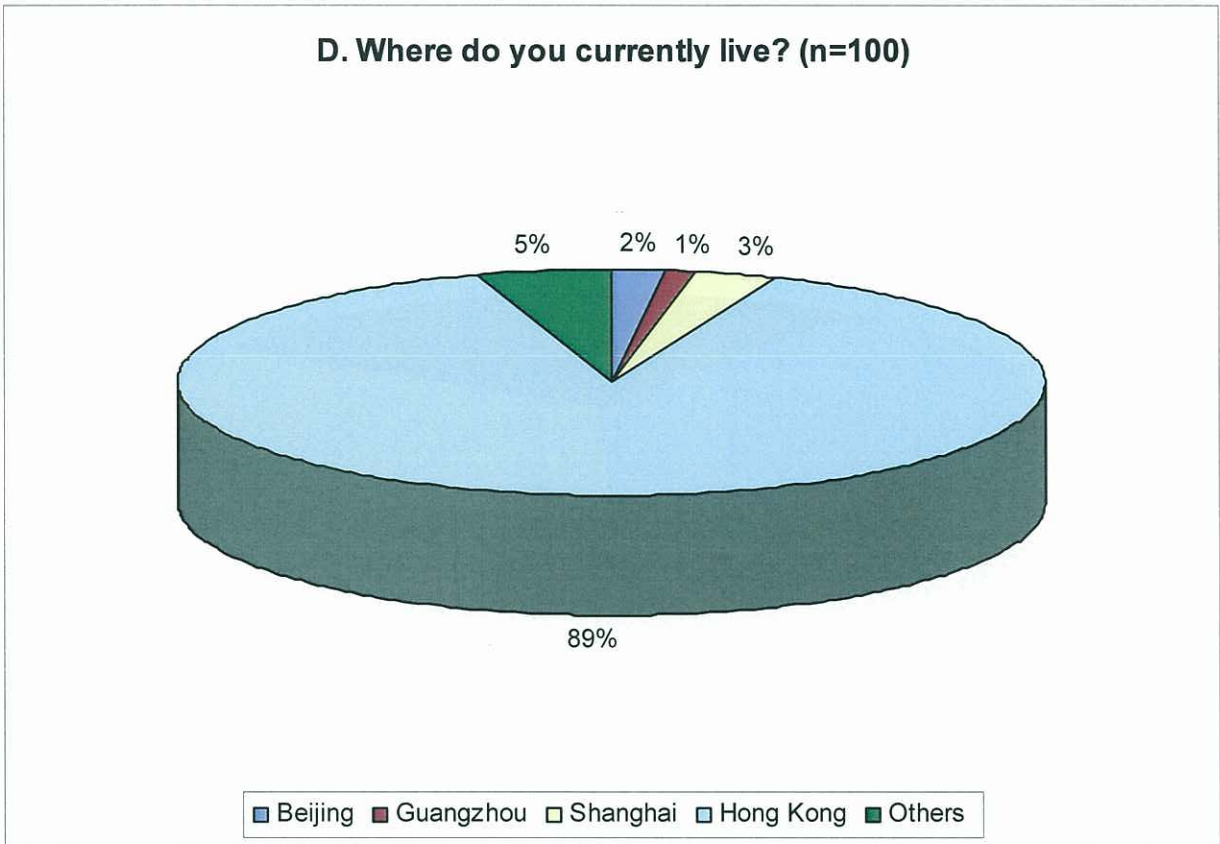
Survey Design & Methodology:

- Quantitative survey
- Conducted from 11 September 2009 to 13 October 2009
- 100 respondents

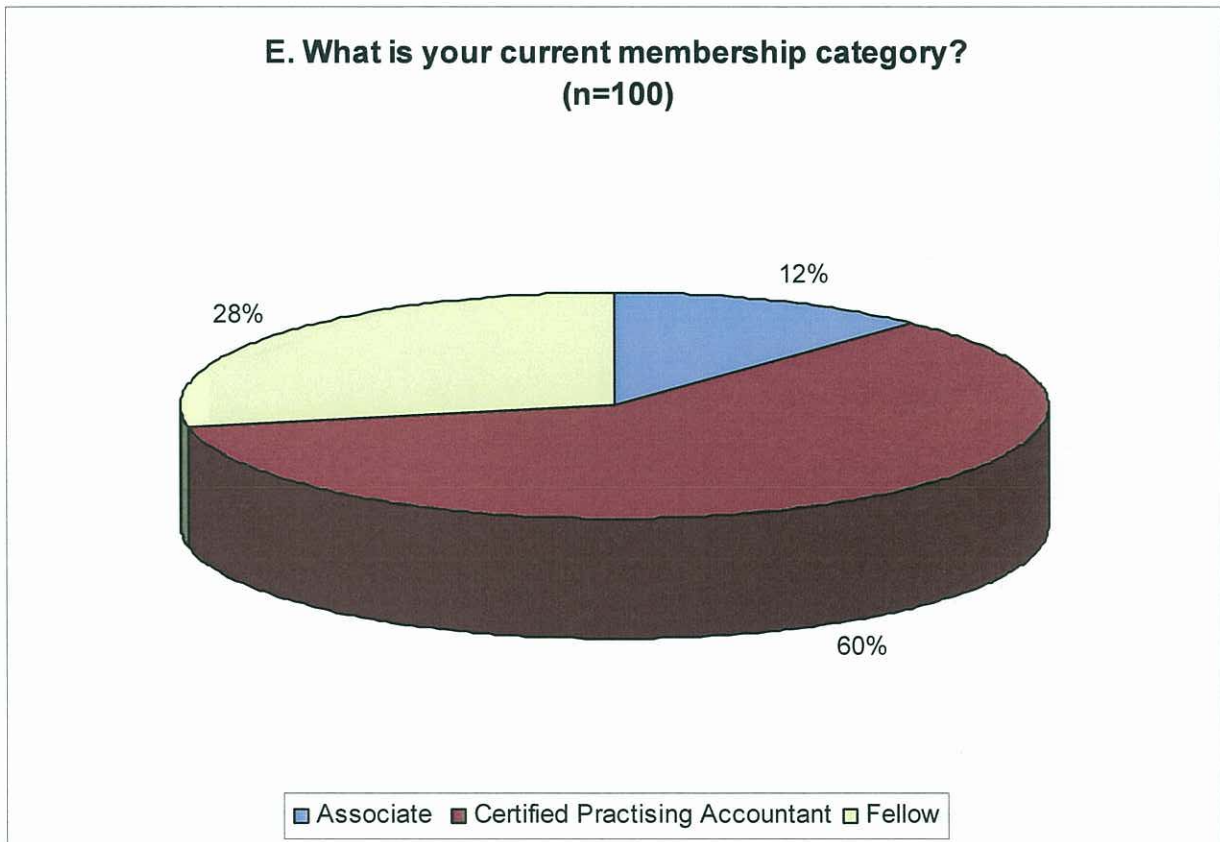
Personal Data

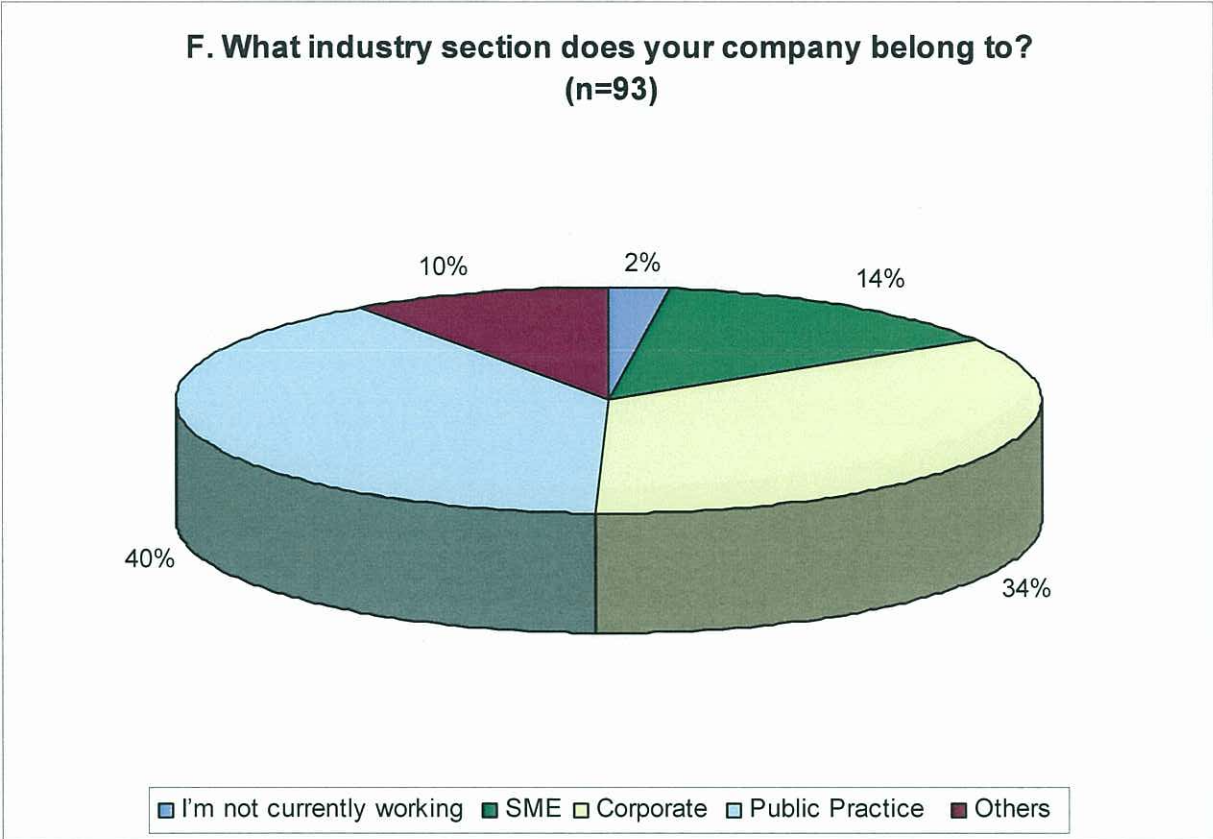




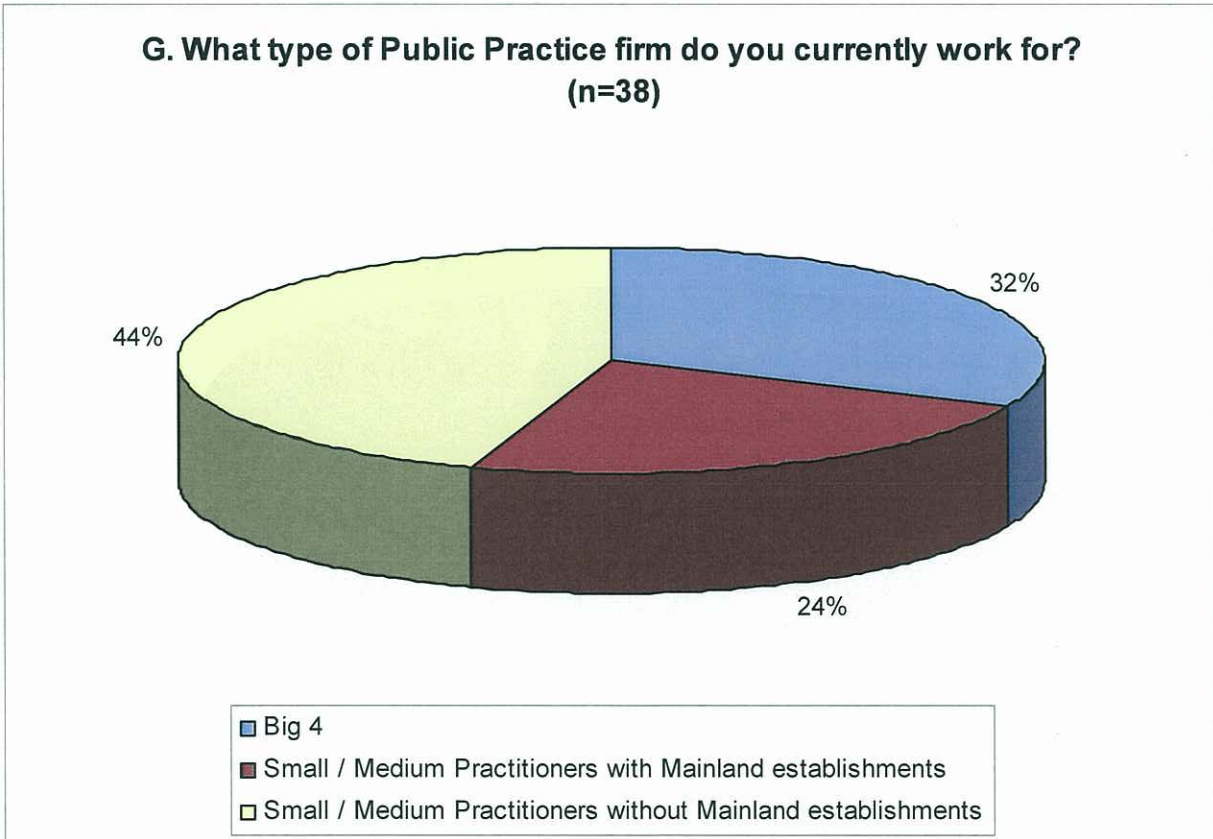


Remarks: The respondents who have chosen "Others" lived in Hunan, Shenzhen and Macau.

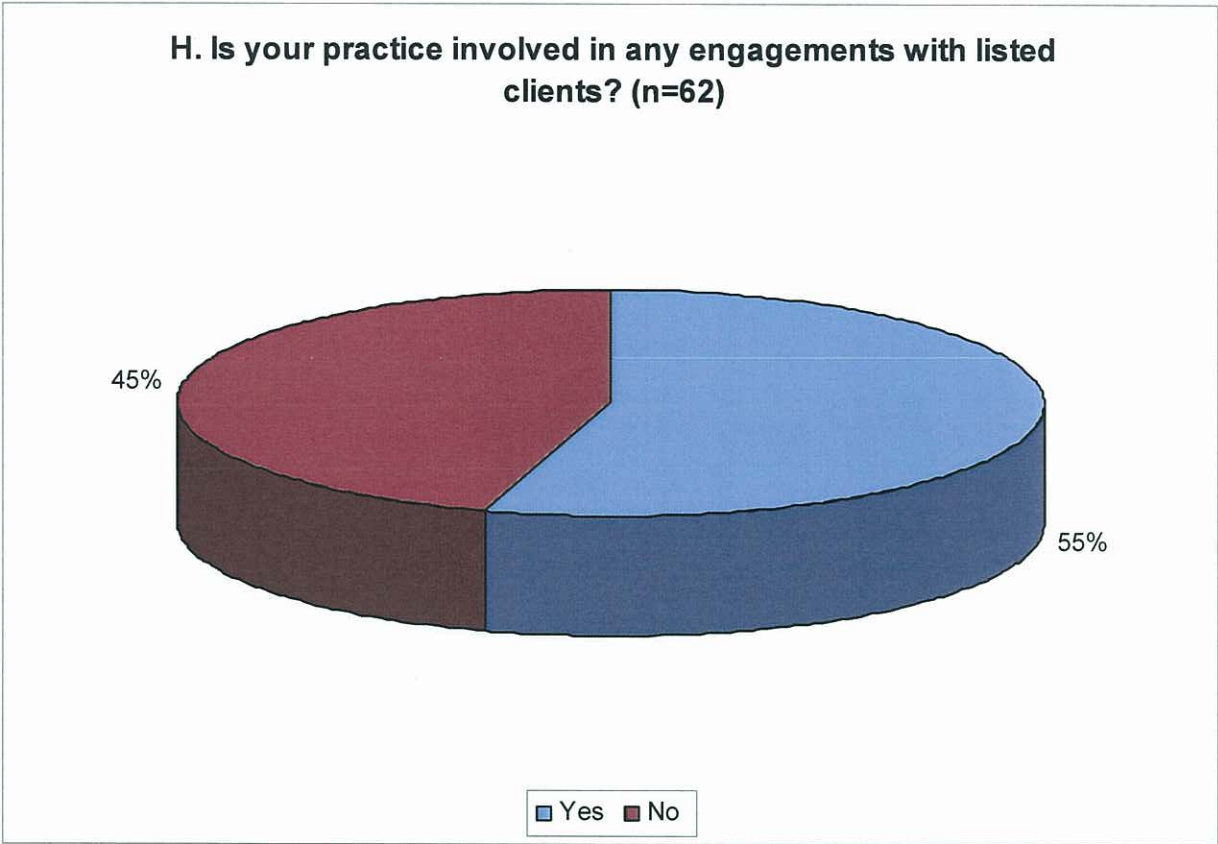




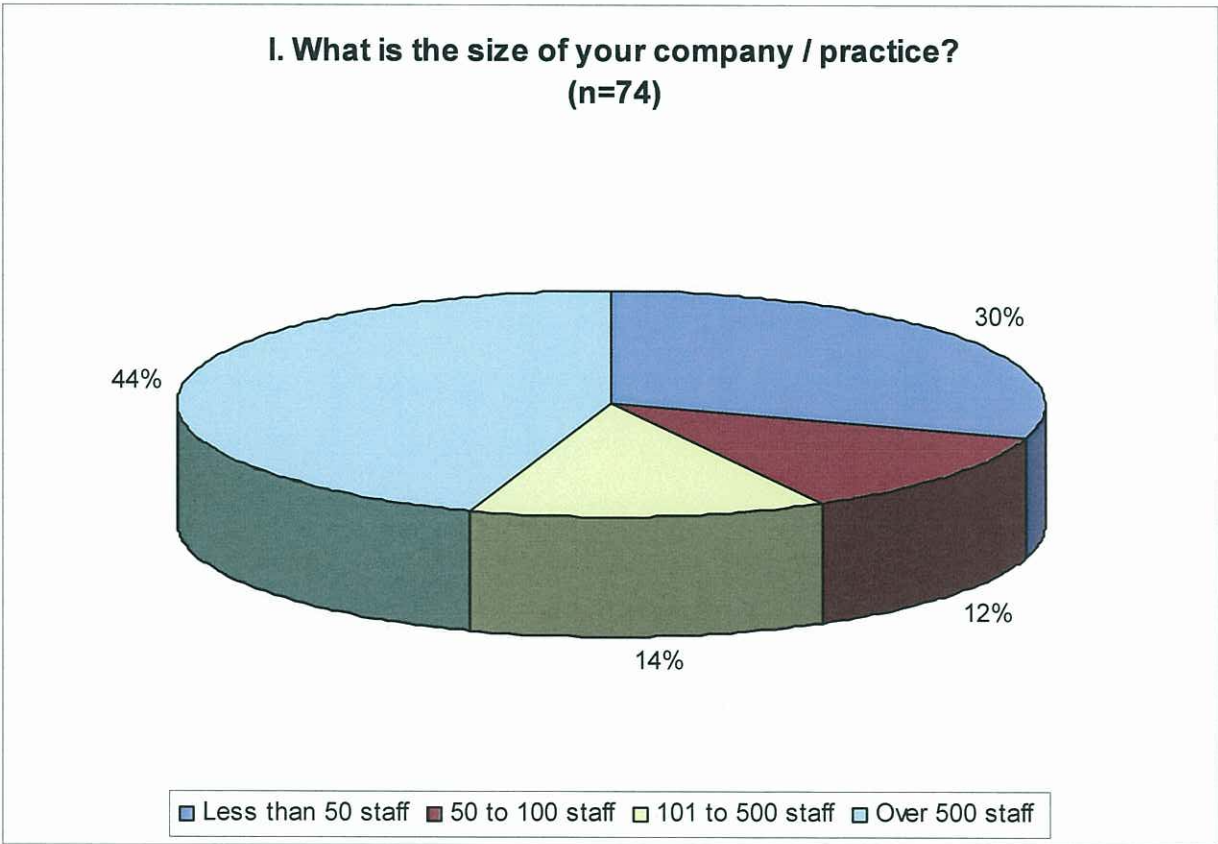
Remarks: 'Others' include Property, Finance, Consultancy, Investment holding, Private Equity, NGO.

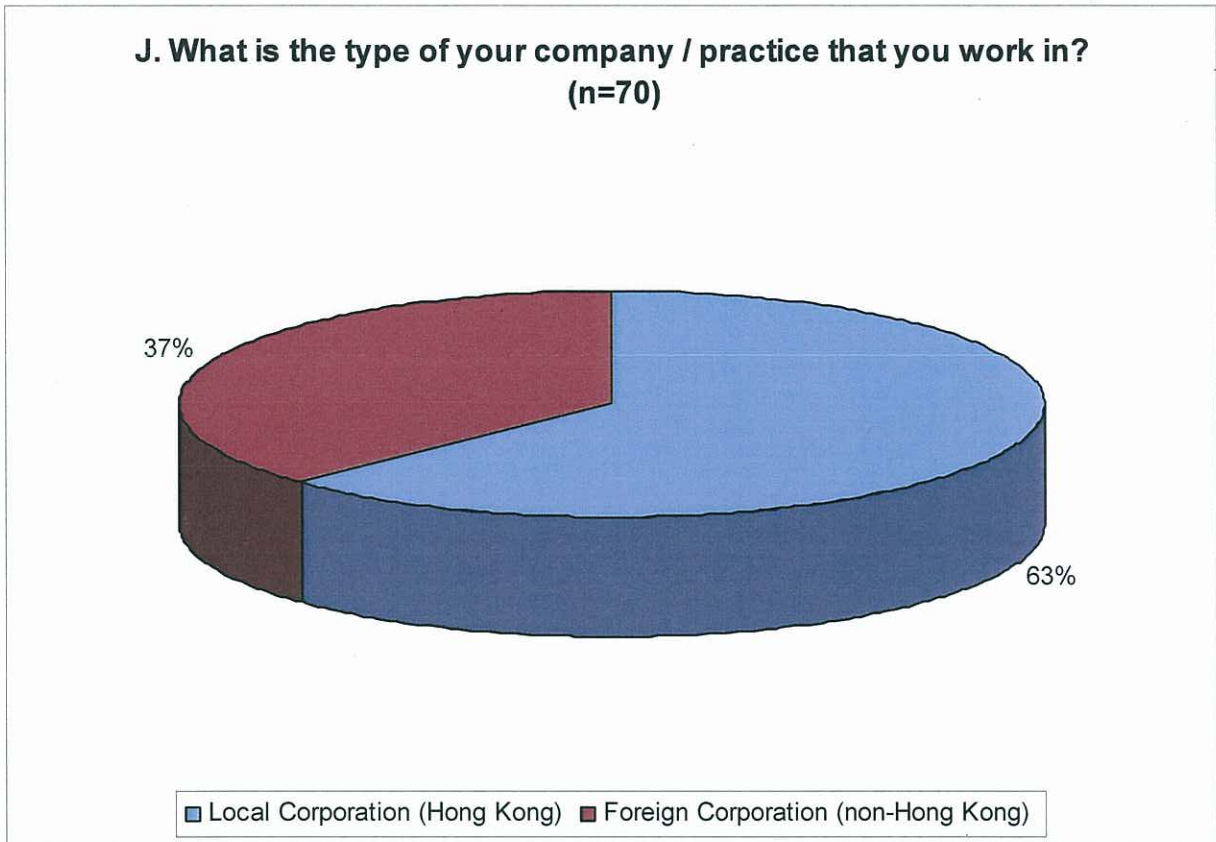


Remarks: For the respondents who work in public practice, 44% of them work in small / medium public practice WITHOUT Mainland establishments.

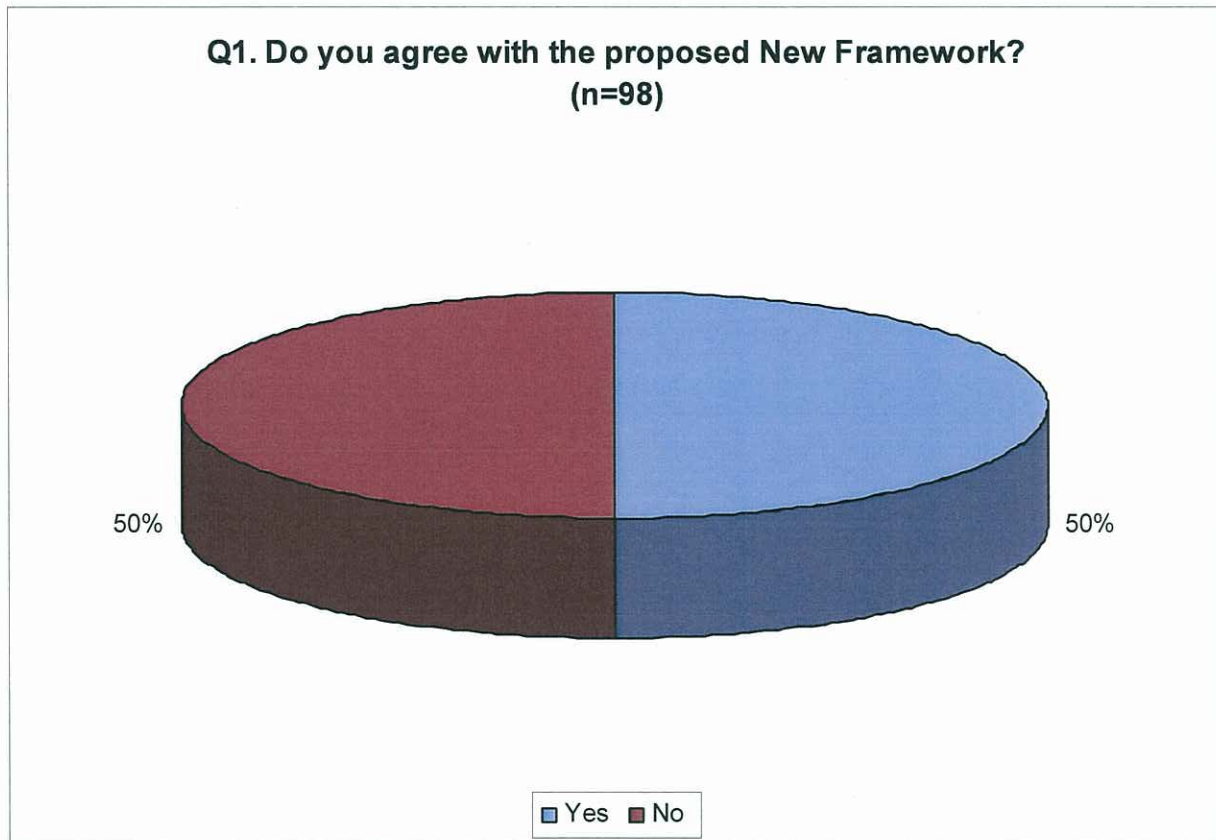


Remarks: For the respondents who work in practice, more than half of them (55%) work in practices involved in engagements with listed clients.



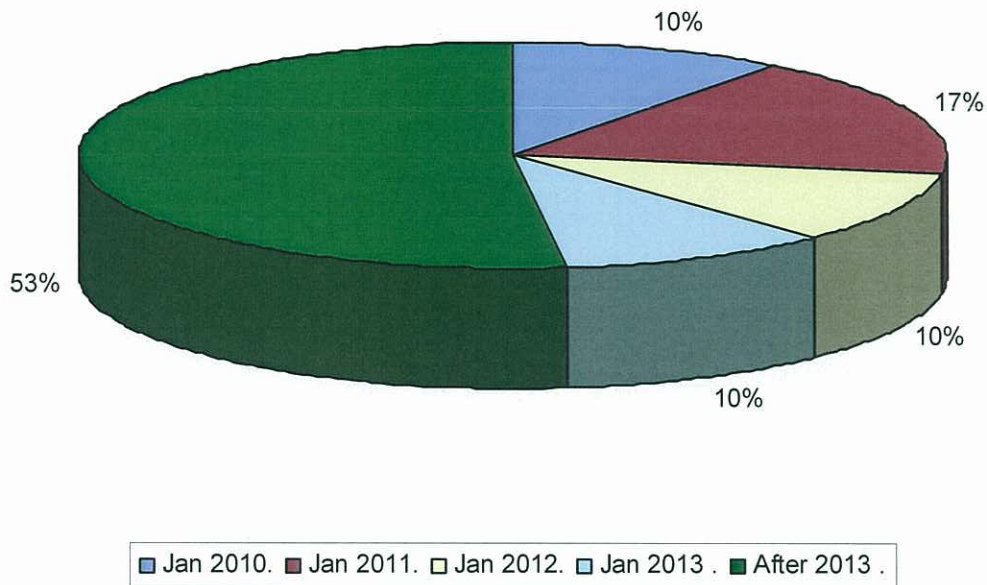


Questions



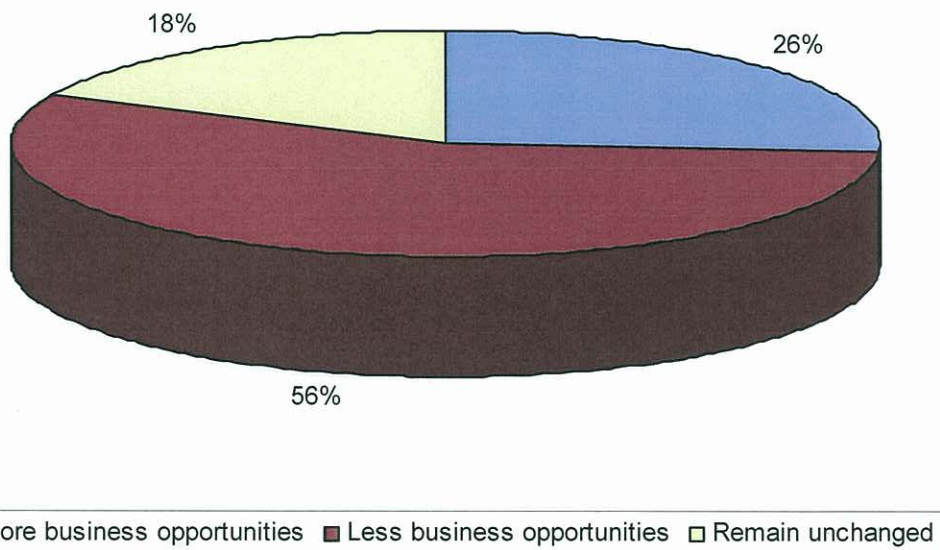
Key Findings: Half of the respondents agree with the proposed New Framework.

Q2. What is the most appropriate commencement date for the proposed New Framework? (n=98)



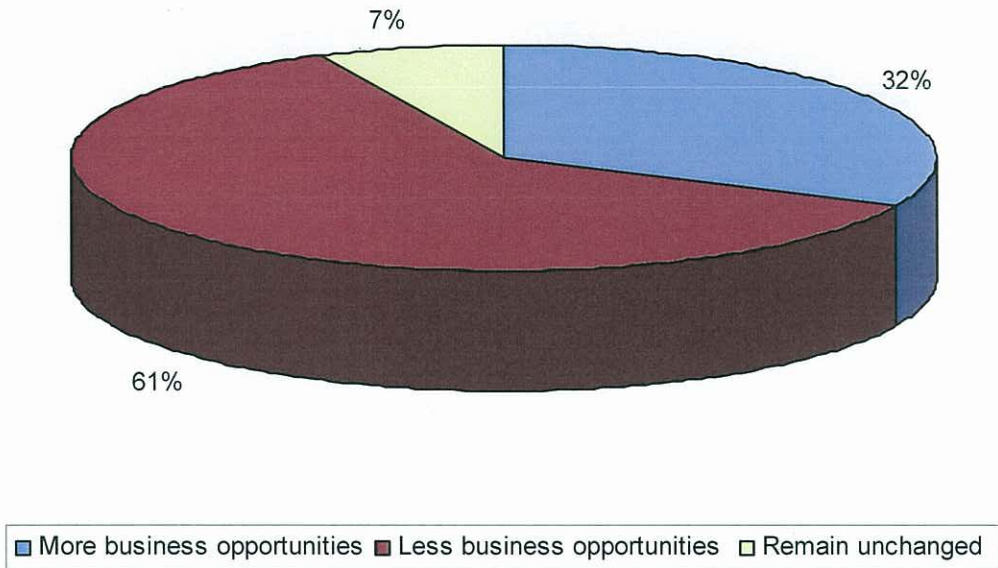
Key Finding: More than half of the respondents (53%) agree the most appropriate commencement date of the proposed New Framework should be after 2013.

Q3. How do you believe the New Framework will impact on Public Practice's in Hong Kong in the short term (under 3 years)? (n=100)



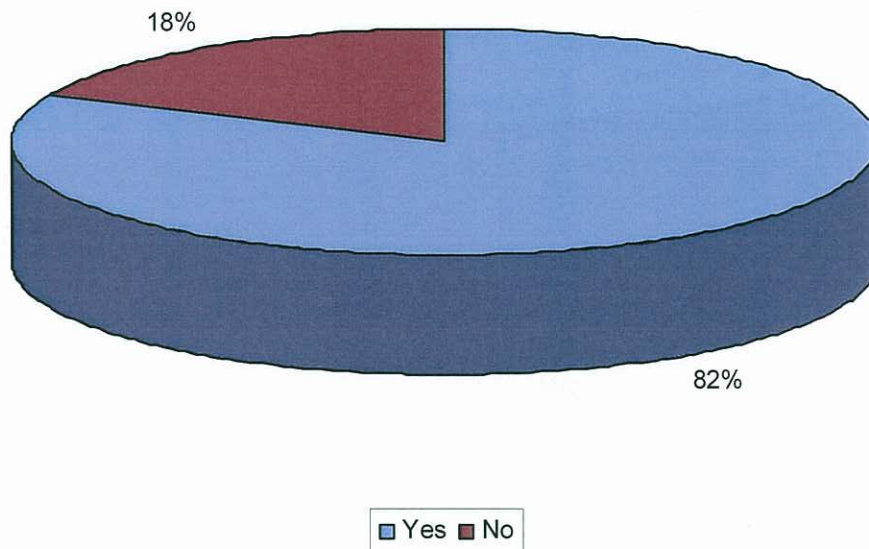
Key Finding: More than half of the respondents (56%) believe the New Framework will provide less business opportunities of Public Practice in Hong Kong in the short term (under 3 years)

Q4. How do you believe the New Framework will impact on Public Practice's in Hong Kong in the long term (more than 3 years)? (n=100)

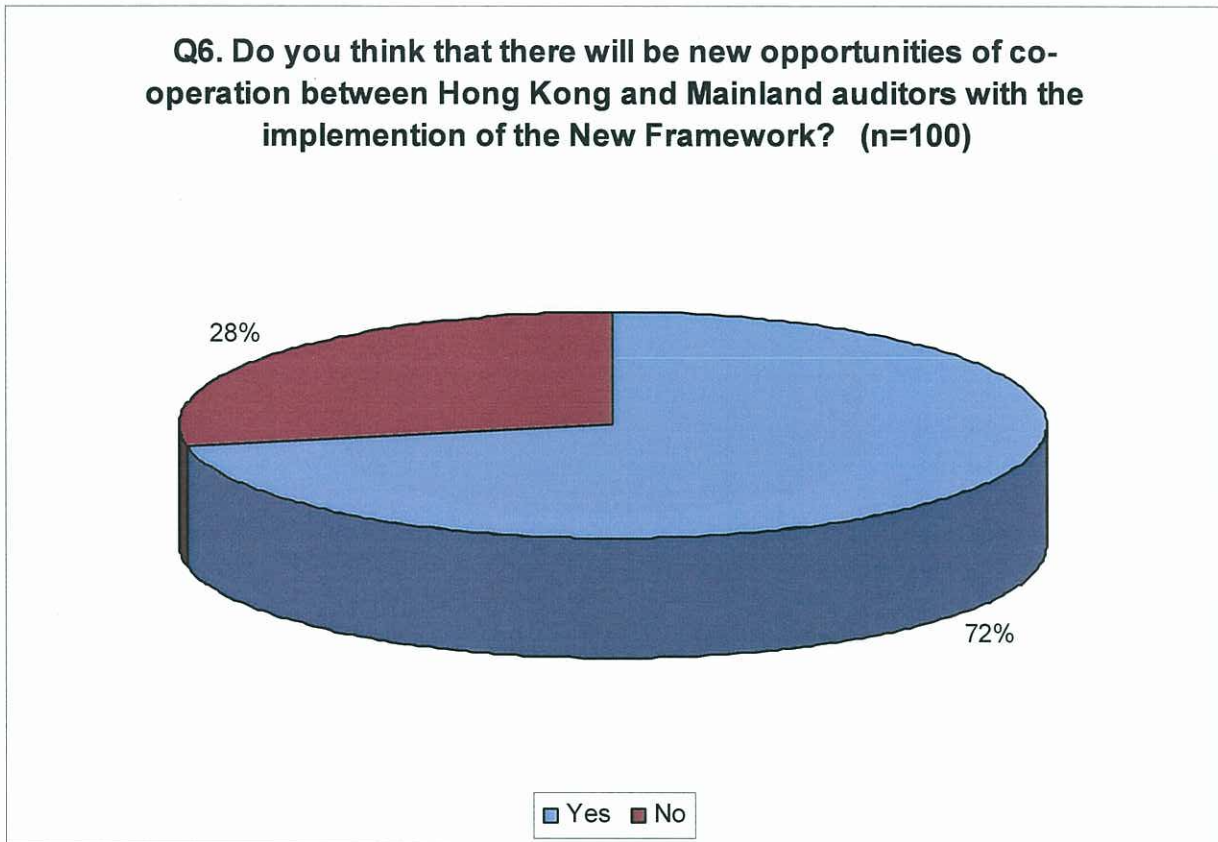


Key Findings: More than half of the respondents (61%) believe the New Framework will provide less business opportunities of Public Practice in Hong Kong in the long term (more than 3 years).

Q5. Currently there are 49 Hong Kong based CPA firms with businesses or establishments in the Mainland. Do you expect this number will increase in the near future? (n=100)

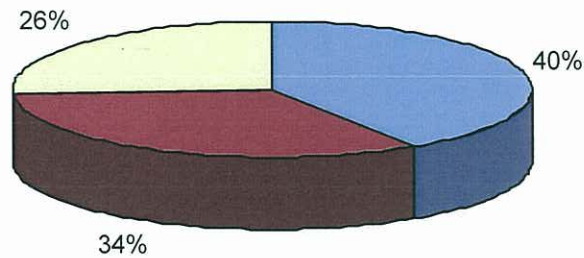


Key Findings: The majority of respondents (82%) expect the number of Hong Kong based CPA firms with businesses or establishments in the Mainland will increase in the near future.



Key Finding: The majority of the respondents (72%) thought that there would be new opportunities of co-operation between Hong Kong and Mainland auditors with the implementation of the New Framework.

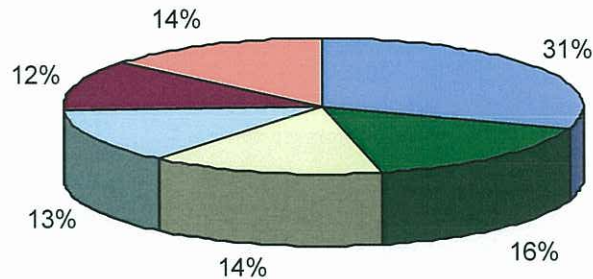
Q7. Please provide recommendations on how to assist Hong Kong based CPA firms to benefit from the implementation of the New Framework. (You can select more than one option) (n=169)



- Allow Hong Kong based CPA firms to be registered and approved by the Ministry of Finance of China and the China Securities Regulatory Commission
- Grant special license to Hong Kong based CPA firms to perform audit on Mainland incorporated Hong Kong issuers
- To explore and promote opportunities for collaboration among CPA firms in Hong Kong and the Mainland

Key Findings: More than one-third of responses (39%) suggested allowing Hong Kong based CPA firms to be registered and approved by the Ministry of Finance of China and the China Securities Regulatory Commission and another one-third of responses (34%) suggested granting special incense to Hong Kong based CPA firms to perform audit on Mainland incorporated Hong Kong issuers.

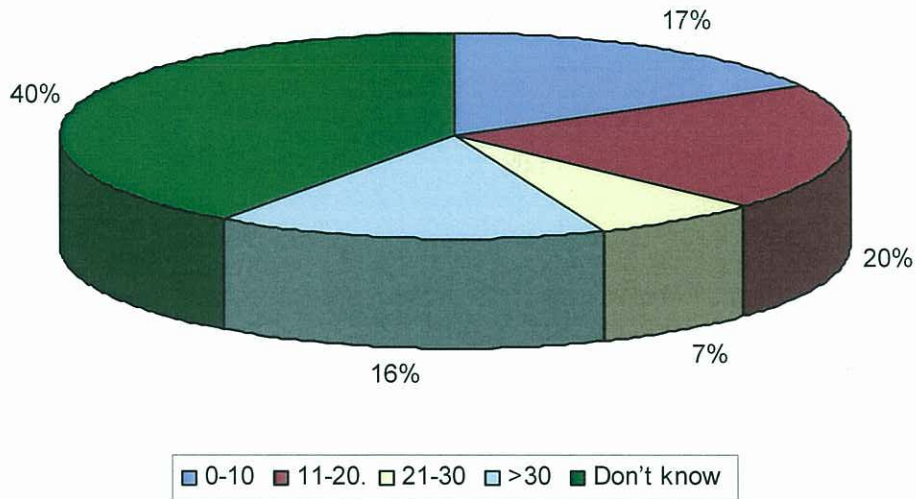
Q8. What are the most likely impacts on the Hong Kong markets as a result of the implementation of the New Framework? (You can select more than one option) (n=224)



- An overall increase of mainland incorporated companies to be listed in Hong Kong
- An overall increase in market turnover and volume in the Hong Kong stock market
- An overall increase in foreign capital inflow into the Hong Kong stock market
- An overall increase in Hong Kong's competitiveness as a regional financial hub
- Provide additional fund raising channels for Hong Kong incorporated issuers
- An overall increase of Mergers & Acquisitions

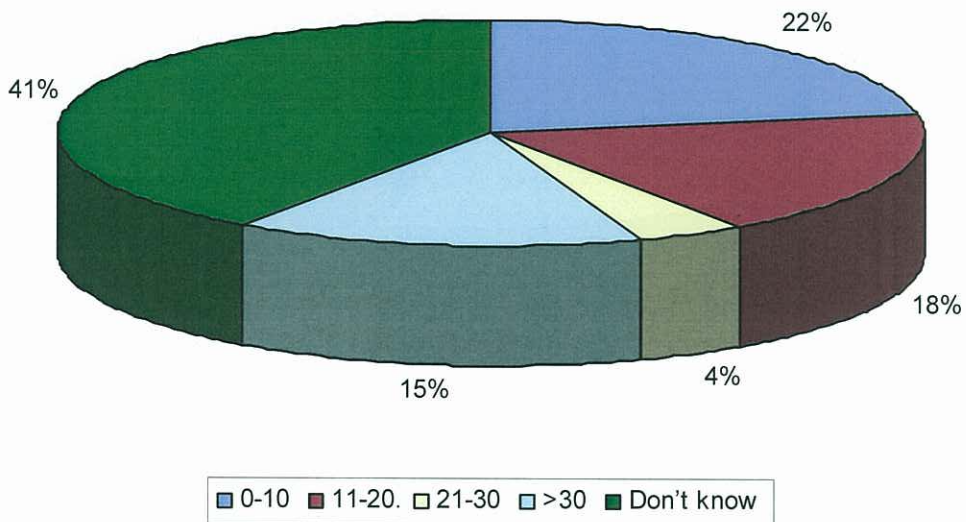
Key Findings: More than one-third of the responses (31%) suggested the most likely impact on the Hong Kong markets as a result of the implementation of the New Framework would be an overall increase of mainland incorporated companies to be listed in Hong Kong. 16% of the responses indicated that there would be an overall increase in market turnover and volume in the Hong Kong stock market, 14% of the responses indicated that there would be an overall increase in foreign capital inflow into the Hong Kong stock market and 14% indicated an overall increase in Hong Kong's competitiveness as a regional financial hub.

Q9. After the commencement of the New Framework, what is the expected number of Mainland incorporated companies seeking primary listings in Hong Kong in the following 12 months, due to the implementation of the New Framework? (n=100)

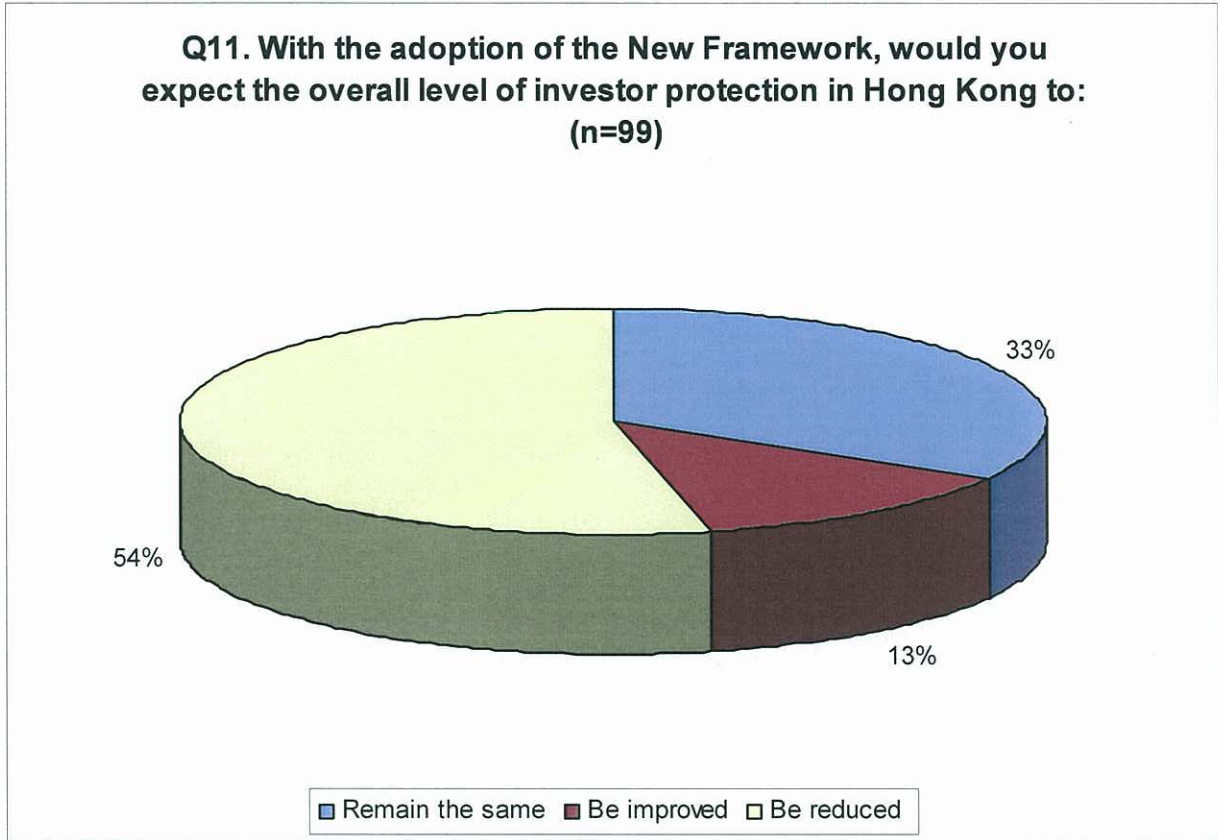


Key Findings: 60% of the respondents believe the implementation will result in Mainland incorporated companies seeking primary listings in Hong Kong in the following 12 months, due to the implementation of the New Framework.

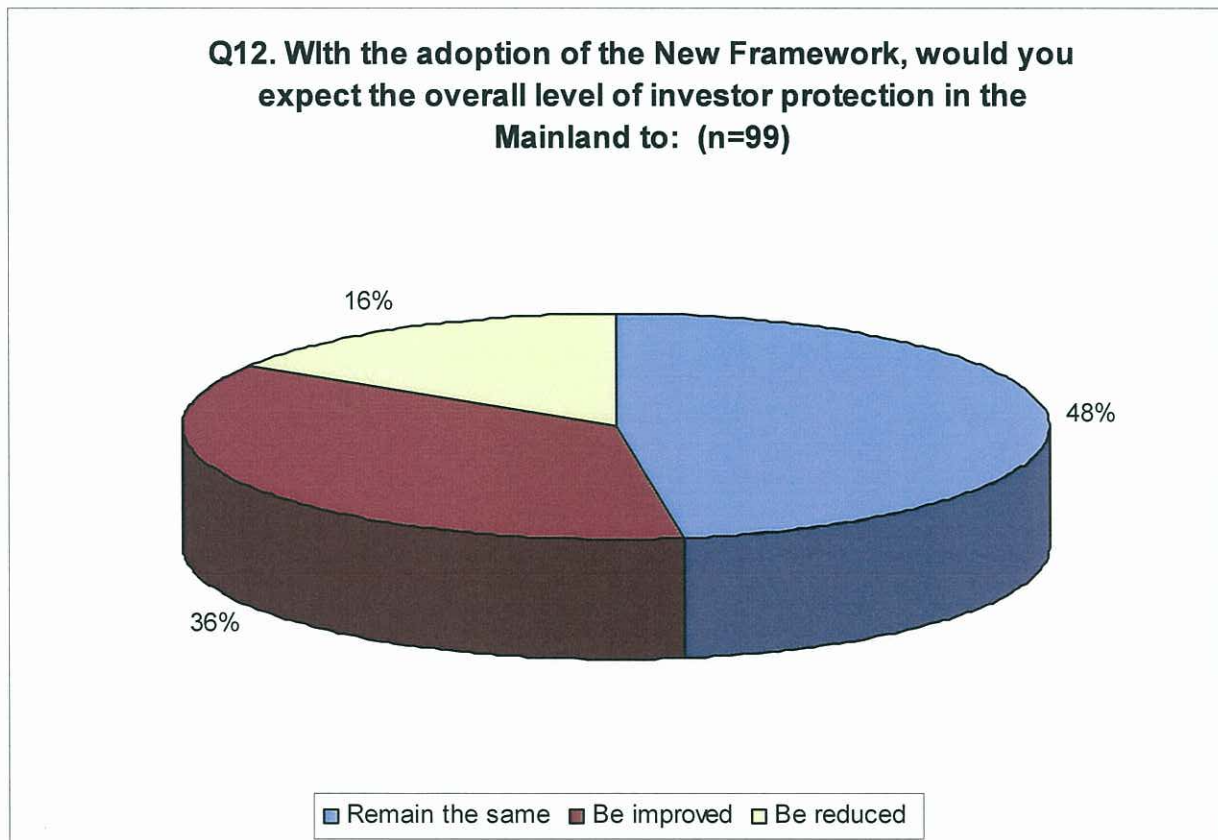
Q10. After the commencement of the New Framework, what is the expected number of Hong Kong incorporated companies seeking listings in the Mainland in the following 12 months, due to the implementation of the New Framework? (n=99)



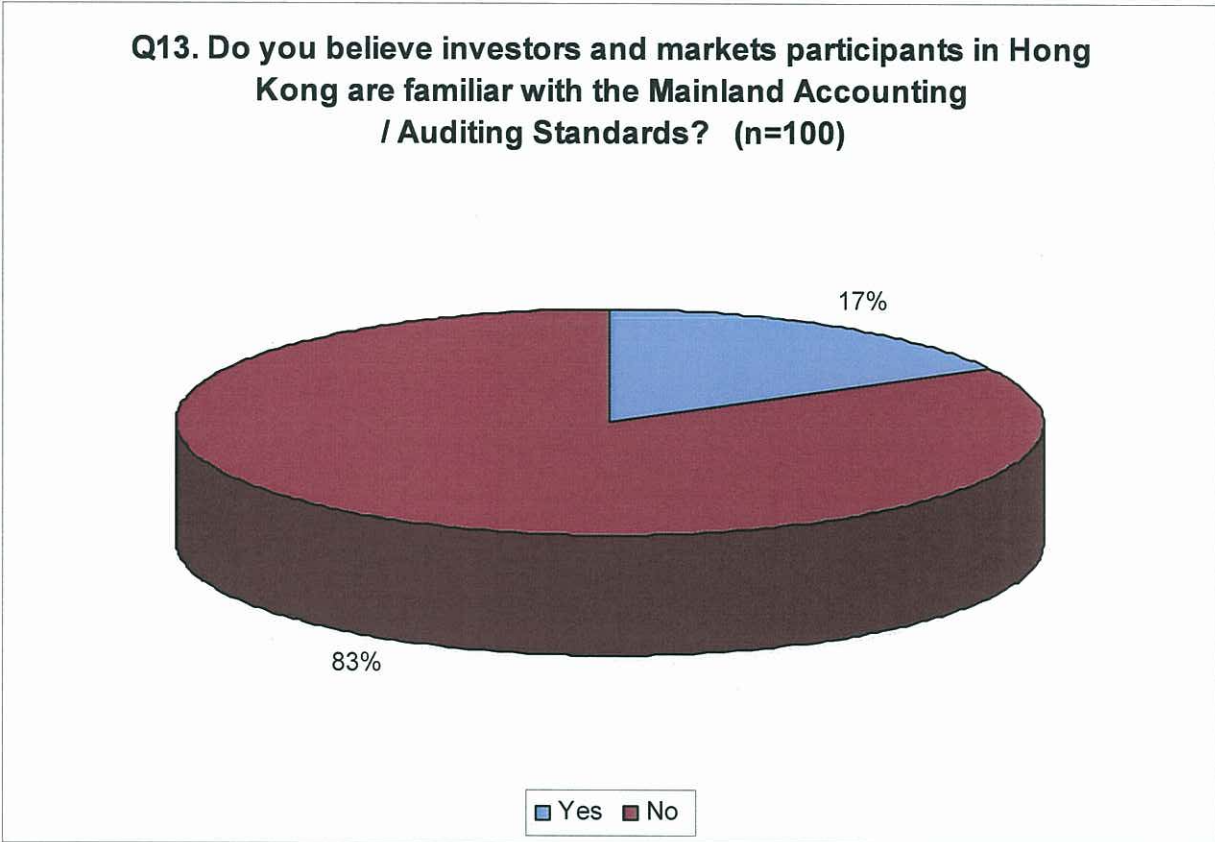
Key Findings: Nearly 60% of the respondents believe the implementation will result Hong Kong incorporated companies seeking listings in the Mainland in the following 12 months, due to the implementation of the New Framework



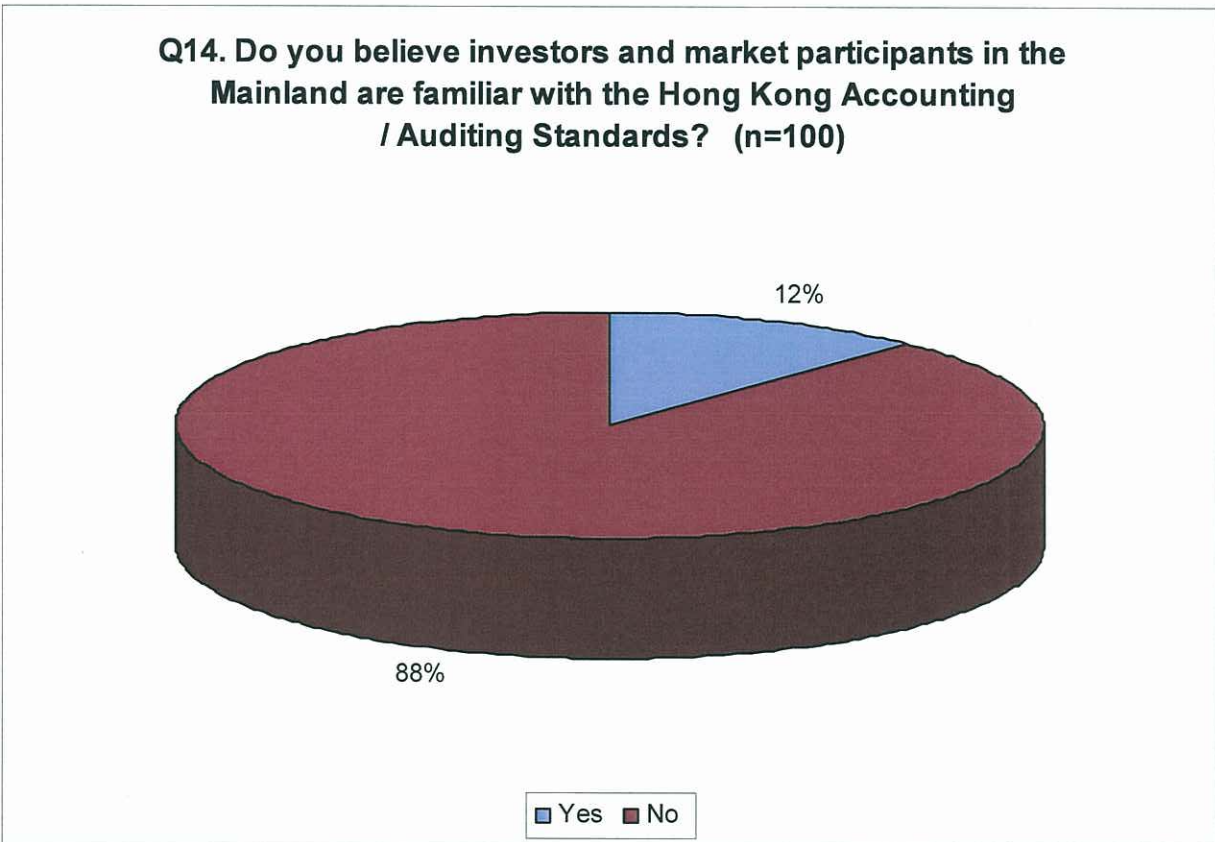
Key Findings: Over half of the respondents (54%) expect the overall level of investor protection in Hong Kong will be reduced.



Key Finding: Nearly half of the respondents (48%) expect the overall level of investor protection in the Mainland will remain the same.

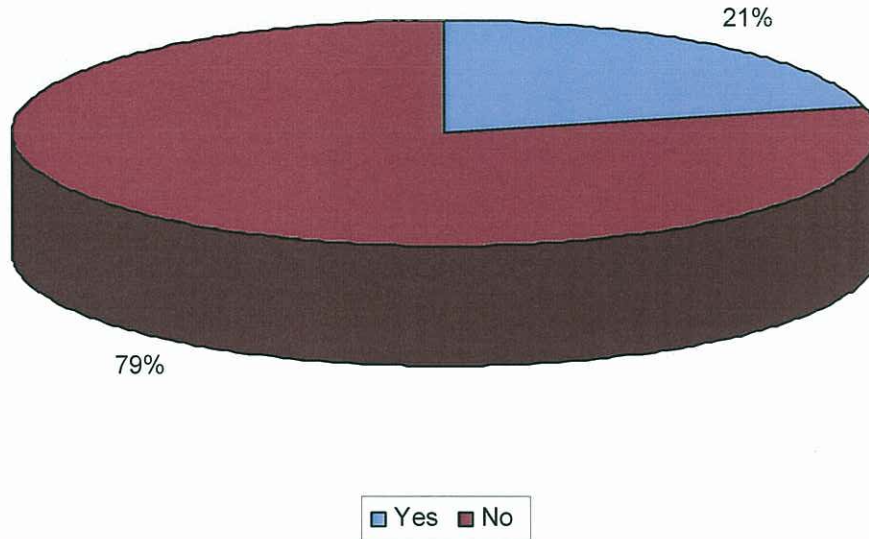


Key Finding: The majority of the respondents (83%) DO NOT believe investors and markets participants in Hong Kong are familiar with the Mainland Accounting / Auditing standards.



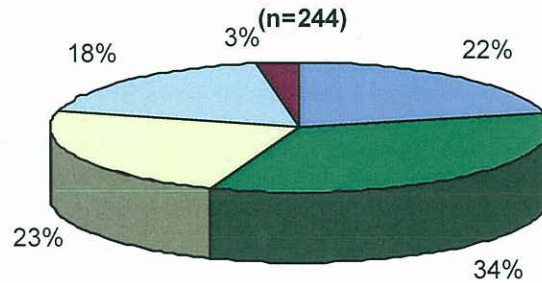
Key Finding: The majority of the respondents (88%) Do NOT believe investors and markets participants in the Mainland are familiar with the Hong Kong Accounting / Auditing standards.

Q15. Do you believe that investors will be confident that the existing quality assurance or practice review framework will be adequate in monitoring the overall quality of audit work performed by the Mainland Audit firms on Hong Kong listed issuers incorporated in the Mainland? (n=100)



Key Finding: The majority of the respondents (79%) DO NOT believe that investors will be confident that the existing quality assurance or practice review framework will be adequate in monitoring the overall quality of audit work performed by the Mainland Audit firms on Hong Kong listed issuers incorporated in the Mainland.

Q16. Please give recommendations on how to ensure the overall quality of audit work by Mainland Audit firms on Hong Kong listed issuers incorporated in the Mainland. (You can select more than one option)

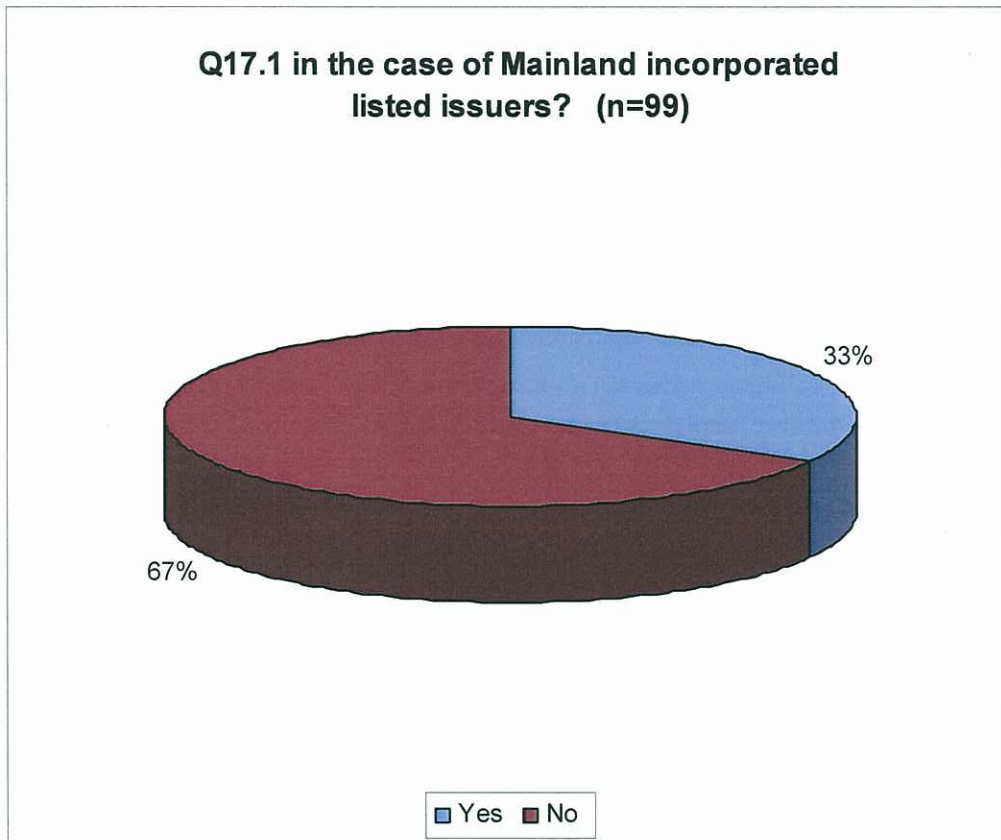


- To set size and quality criteria for Mainland Audit firms to audit the Hong Kong listed issuers incorporated in Mainland.
- To establish a regulatory framework to investigate and discipline the Mainland Audit firms which breach quality assurance standard.
- To provide a platform to Hong Kong investors to appeal to Mainland regulatory authorities.
- To provide a platform to Mainland investors to appeal to Hong Kong regulatory authorities.
- Others

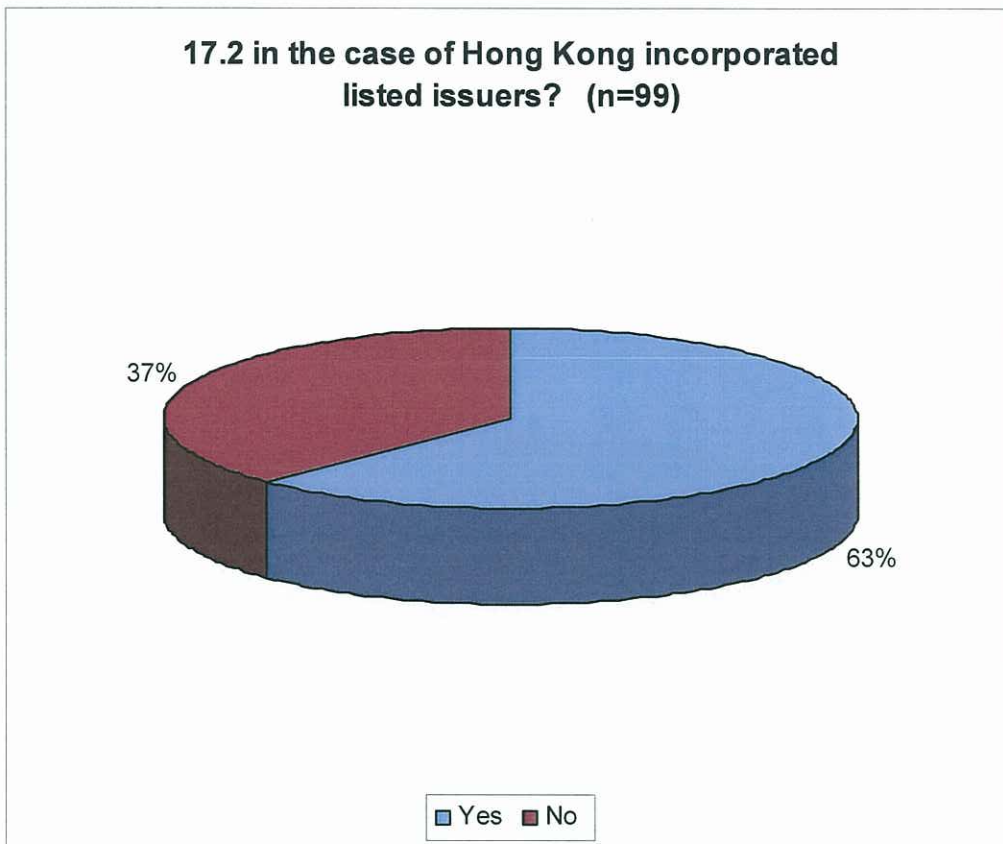
Key Finding: More than one-third of the responses (34%) recommended establishment of a regulatory framework to investigate and discipline the Mainland Audit firms which breach quality assurance standard, 23% of the responses recommended providing a platform to Hong Kong investors to appeal to Mainland regulatory authorities and 22% of the responses recommended setting size and quality criteria for Mainland Audit firms to audit the Hong Kong listed issuers incorporated in Mainland to ensure the overall quality of audit work by Mainland Audit firms on Hong Kong listed issuers incorporated in the Mainland.

There were also some other recommendations provided by the respondents, such as only allowing listed companies which are both A-share and H-share to be benefited, imposing heavy penalties and criminal sanctions, ensuring PRC auditors have to hold international recognised qualifications and facilitating routine quality check on mainland audit firms.

Q17. Under the proposed New Framework, disciplinary proceedings against Hong Kong and Mainland auditors are the responsibilities of HKICPA and MOF/CSRC respectively. Do you believe this provides adequate investor rights on disciplinary actions against auditors:

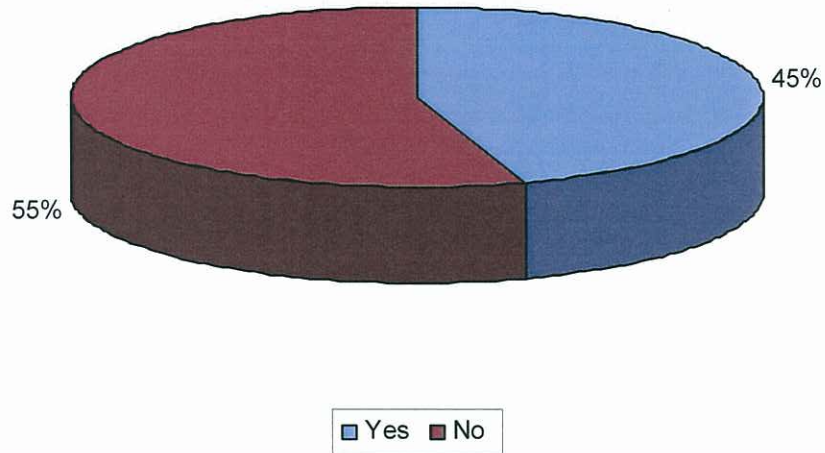


Key Finding: The majority of the respondents (67%) DO NOT believe that the proposed New Framework provides adequate investor rights on disciplinary actions against auditors in the case of Mainland incorporated listed issuers.

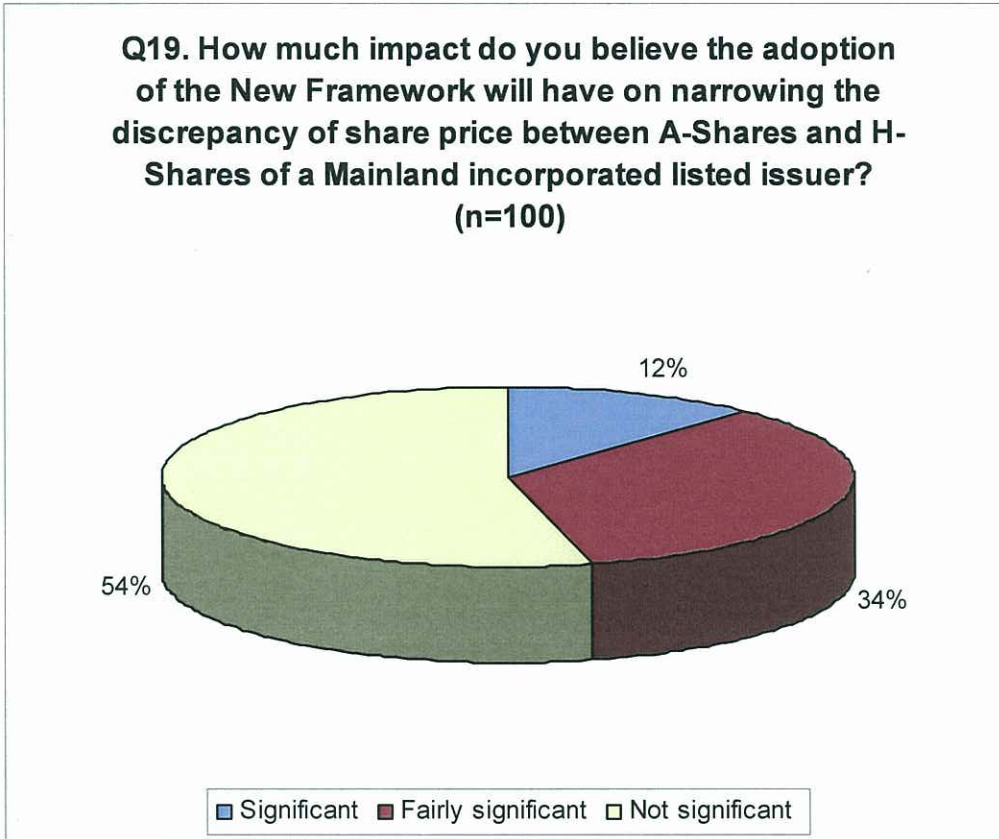


Key Finding: The majority of the respondents (63%) believe that the proposed New Framework provides adequate investor rights on disciplinary actions against auditors in the case of Hong Kong incorporated listed issuers.

Q18. Do you believe the New Framework promotes more timely disclosure of information to investors to enable them to make informed and timely investment (including Hong Kong incorporated and Mainland incorporated companies)? (n=98)



Key Finding: More than half of the respondents (55%) DO NOT believe that the New Framework promotes more timely disclosure of information to investors to enable them to make informed and timely investment (including Hong Kong incorporated and Mainland incorporated companies).



Key Finding: More than half of the respondents (54%) believe the adoption of the New Framework will NOT have significant impact on narrowing the discrepancy of share price between A-Shares and H-Shares of a Mainland incorporated listed issuer. 34% of the respondents believe the adoption of the New Framework will have fairly significant impact on the captioned issue.

~ End of Survey ~