



23 October 2009

**Private & Confidential**

**By Email**

Our Ref.: ED(CJ)/M66287

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

Dear Sirs,

**Re: Consultation paper on acceptance of Mainland accounting and auditing standards and Mainland audit firms for Mainland incorporated companies listed in Hong Kong**

The Hong Kong Institute of Certified Public Accountants ("the Institute") is pleased to provide a response to the above consultation document. The Institute sees the proposals contained in the consultation as a natural evolution of the capital markets in Hong Kong and China.

The Institute believes that the most significant benefit arising from adoption of the proposals will be that Chinese enterprises listing in Hong Kong will no longer need to produce two sets of financial statements and engage two firms of auditors. This will bring a greater efficiency to the capital market. Additionally, the proposals represent an opportunity for Hong Kong to be involved in the development of capital markets in China.

Currently the capital markets in China are not open to companies from other jurisdictions. Therefore the proposed reciprocal framework will present an opportunity for Hong Kong companies to gain access to the China capital markets.

The Institute does however identify some areas of potential concern that may need to be further addressed and these are set out in the attached response to the consultation questions.

Yours faithfully,

Chris Joy  
Executive Director

CJ/dy  
Encl.

**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](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](mailto: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](mailto: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*	:	The Hong Kong Institute of Certified Public Accountants
Contact Person:*	:	Chris Joy
Title*	:	Executive Director
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](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.

- The Institute believes that the proposals contained in the consultation document represent natural evolution for the Hong Kong and China capital markets and is therefore supportive of the proposed framework. Given the achievement, and ongoing nature, of convergence of Mainland accounting and auditing standards with Hong Kong and international accounting and auditing standards there is a clear case for allowing the use of mainland standards by Mainland companies listed in Hong Kong and their mainland auditors.

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.

- If the framework is adopted it should be applied as soon as practicable. Therefore the proposed commencement date is appropriate, subject to any further changes that may be considered necessary following consideration of responses to the

consultation.

- All key practical implementation steps e.g. Memoranda of Understanding between the relevant regulatory bodies of both jurisdictions, must be in place before the commencement of the framework.
- The Institute does have some concerns that not all parties that will be affected by the proposals will be ready to adopt the changes in line with the proposed adoption date. For instance it is not clear what will be required for an IPO bringing a Chinese company to the market in the first quarter of 2010. A prospectus will require three years financial information prepared on a consistent basis which may present a significant challenge for Mainland companies and auditors.

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.

- Changes to the Listing Rules that will be necessary to implement the framework have been drafted by the Exchange. The Institute is content to rely on the Exchange to ensure that Rule changes will have no negative impact on companies that are already listed in Hong Kong and their auditors.

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

Yes.

No.

Please state the reasons for your views.

- The Institute is concerned that the framework may not allow for effective action to be taken against the preparers of financial statements of Mainland companies in the event that deficiencies are identified. To have a fully effective system of regulation over preparers as well as auditors of financial statements of Mainland companies the Hong Kong market regulators and investigating authorities (the Exchange, the SFC and the FRC) will need to have in place memoranda of understanding with the relevant Mainland authorities. A situation where both preparers and auditors are subject to equally robust regulation will further enhance the quality of audit and financial reporting.
- The Institute would prefer to see the Listing Rules given statutory backing for more than disclosure matters. This would facilitate effective and robust regulation over preparers of financial statements.
- The Institute understands that regulatory sanctions employed in the Mainland are robust and apply to both firms and individuals. It is important that this situation is maintained and that extreme sanctions such as the removal of the licence of a firm, which may have significant market implications, are viewed and used only as a final and extreme option.
- The proposed framework does not spell out whether Mainland reporting accountants will be required to comply with HKICPA standards in relation to



investment circulars (HKSIRs, AG3.340 and AG3.341) where there are no such equivalent standards in Mainland.

The Institute would urge the relevant authorities to ensure that the framework is truly reciprocal, allowing its members the opportunity of additional work related to their clients that list on Mainland exchanges.

Taking into account comments received from members the Institute believes that it would be helpful if information was made public on the mechanism by which liquidators or a company could pursue legal action against a Mainland audit firm, in the way that such action may be taken against a Hong Kong firm through the Hong Kong legal system.

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